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AUSTRALIA
Banking in a climate of uncertainty
Page 4

World News

Thatcher sets out to mend Anglo-German relations

Mrs Margaret Thatcher, the British Prime Minister, led her government in efforts to portray the UK as an enthusiastic European partner and repair damage inflicted on Anglo-German relations following Mr Nicholas Ridley's outspoken attack on Germany and the Community last week.

Meanwhile, West German Chancellor Helmut Kohl downplayed the controversy, saying it would not harm relations with London. Page 16; Kohl's Reaction, Page 2; Editorial Comment, Page 14; Brittle bonds, Page 15

Indian crisis abates

The crisis in India's ruling Janata Dal party blew over when Mr Om Prakash Chautala, son of the deputy prime minister, resigned as chief minister of Haryana state. Prime Minister Singh earlier refused to accept the resignations of 13 ministers who quit to protest against Mr Chautala's re-election. Page 4

Central Asian riots

Twenty-seven people were injured in the Kirghiz city of Osh in a renewal of ethnic riots in the Soviet Central Asian republic which have killed over 200 in the past six weeks. Page 2

Zambia lifts ban

Zambia lifted its 17-year ban on organised opposition groups, allowing them to campaign in a referendum on whether to reintroduce multi-party democracy. Page 4

UN talks deadlocked

An attempt by the five members of the UN Security Council to reach a peace settlement in Cambodia looked set to end without any significant breakthrough. Page 4

Avalanche kills 40

An avalanche triggered by a small earthquake killed at least 40 Soviet and foreign climbers in the Pamir mountains of Soviet Central Asia.

Taylor losing control

Liberian rebel leader Charles Taylor, whose forces have laid siege to Monrovia for two weeks in a bid to overthrow President Doe, is facing a breakdown of discipline among his men. Picture, Page 4

Seoul MPs to resign

All Opposition members of the South Korean national assembly are to resign in an attempt to force new elections in protest at the rushed passage of controversial legislation. Page 4

Tougher ivory rules

Hong Kong, an important ivory carving and re-exporting centre, brought in stiffer regulations to try to reduce the risk of its ivory stocks being sold on world markets. Page 4

Police seize drugs

British police seized a record haul of amphetamine sulphate, the narcotic known as "speed," after firing a stun grenade into a motor cruiser being used to carry the drugs.

PLO may intervene

Palestine Liberation Organisation guerrillas may intervene to end fierce battles on the edge of Israel's Security Zone in south Lebanon. Page 4

Quake rescue bid

Rescue teams fought to free scores of people trapped under concrete and twisted metal in the mountain city of Baguio, northern Philippines, devasted by an earthquake that killed at least 300 throughout the country.

Greek island ablaze

Firefighters backed by soldiers and water-dropping aircraft battled forest fires sweeping the Greek tourist island of Samos. The blaze was reportedly started by a discarded cigarette.

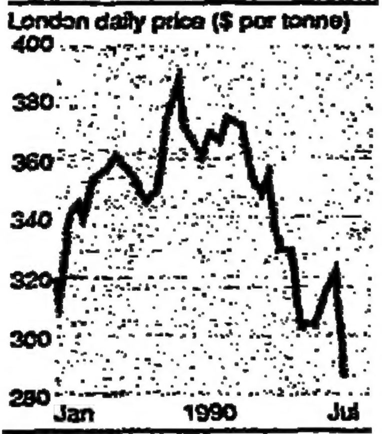
Business Summary

Usinor Sacilor to buy US steel merchant

USINOR Sacilor, French state-controlled steel company, is planning to buy Edgcomb, one of the biggest independent steel merchants in the US with sales of $600m last year. Page 17

SUGAR prices were again undermined by the absence of buyers.

Sugar (raw)



The London daily price for raws fell $17 to $268 a tonne, while the New York March contract fell below 11 cents a lb in early trading. Commodities, Page 27

MARKETS: In Tokyo the Nikkei closed up 150.55 at 33,172.28. In Frankfurt the DAX closed at 2.86 lower at 1,929.00, while in Paris the CAC 40 index ended 3.91 up at 2,019.50. Back page, Section II

UK Public Sector Borrowing Requirement for June was £2.6bn ($4.7bn) the highest since March 1988, and double the City of London's average forecast. Page 16

US is facing strong pressure from the semiconductor industry to block the sale of a key equipment supplier to Nippon Sanso of Japan. Page 16

SOUTHLAND, parent company of 7-Eleven convenience stores group, has reached a restructuring agreement with its bondholders' steering committee and Japanese investors in a bid to avoid the bankruptcy court. Page 20

CITICORP, largest US commercial banking group, reported a 37 per cent drop in second quarter net income. Page 17

ICI, Britain's biggest manufacturing company, has set up a new division in high-value speciality chemicals. Page 10

REVCO, US drug store chain, faced terms of a $1.3bn leveraged buyout that were too onerous, a bankruptcy court-appointed examiner has determined. Page 17

GIANCARLO Parretti, controversial Italian financier who claims he will come up with $1.3bn to acquire MGM/UA, the Hollywood studio, wrote a $53m cheque to MGM as part of the deal. Page 20

BANK of Melbourne, Australian building society transformed into bank, had to distribute extra cash to branches to cope with second day of a run on the bank. Page 4

JOHANNESBURG Consolidated Investment, South African mining house, reported a 73.2 per cent decline in combined after-tax profit at its two mature gold operations in the latest quarter to June. Page 21

MAN, West German commercial vehicle maker and engineering group, said it had withdrawn from negotiations for the takeover of Enasa, Spanish state-owned truck producer. Page 18

POUDERIES Réunies de Belgique, major Belgian gunpowder and munitions group owned by Astra of UK, was put into liquidation. Page 17

TRANSLINK Joint Venture, UK half of the Anglo-French channel tunnel consortium, Transmanche Link, faces prosecution by the UK Health and Safety Executive as a result of a death last year. Page 10

Political, economic and cultural collaboration likely to include non-aggression pact

Soviet-German treaty planned

By David Marsh in Bonn

THE SOVIET Union and a united Germany are to sign a package of measures on political, economic and cultural collaboration which is likely to include a non-aggression pact, Chancellor Helmut Kohl of West Germany said yesterday.

A full co-operation treaty with Moscow is likely to be completed by next summer, establishing a framework for regular political consultations of the kind Bonn already conducts with France, Britain and Italy.

Mr Kohl said a united Germany with full sovereign rights would, after the new year, renegotiate with the respective countries the presence of US, British and French forces in Berlin. These will remain until the Soviet forces have pulled out of East Germany.

Mr Kohl said that further German financial help for Moscow would only be forthcoming once President Mikhail Gorbachev put into effect comprehensive economic reforms, scheduled for September. Germany would "completely overreach itself" in trying to put together an aid package for the Soviet Union without its western partners, Mr Kohl said.

Giving details yesterday of Monday's agreement with Mr Gorbachev to clinch German unity, Mr Kohl stressed that Germany would remain in a "firm alliance with the free democracies of Europe and North America."

Nonetheless, the suggestion of a formal bilateral pact with Moscow is likely to stir suspicions in other western capitals about an eastwards shift in Germany's military policies.

Mr Kohl stoutly rejected comparisons with the German-Soviet Rapallo treaty of 1922, widely seen as laying the basis for the two countries' non-aggression pact in 1939 which paved the way for the Second World War.

Unlike in 1922, "Germany is not proceeding along a go-it-alone path," Mr Kohl said. "Both world powers (the Soviet Union and the US) are backing German unity. Reunification is taking place within the full political integration of Europe."

In Washington, President George Bush said Moscow's willingness to accept Nato membership of a united Germany was a strong contribution to stability in Europe and praised Mr Gorbachev and Mr Kohl for "exceptional qualities of leadership."

Mr Bush's remarks followed a 30-minute telephone conversation with Mr Kohl yesterday and a 40-minute call to Mr Gorbachev during which he briefed the Soviet leader on the Nato summit in London earlier this month and the subsequent Group of Seven economic summit in Houston.

Mr Kohl confirmed that the date for the all-German parliamentary elections is likely to be December 2 – the date which will, for practical purposes, seal political union.

Expounding on the security accords reached with Mr Gorbachev during talks on Sunday and Monday in the Soviet Union, he said that all Soviet soldiers would leave the present territory of East Germany by 1994.

This would coincide with the 50th anniversary of the Red Army's advance into Germany towards the end of the Second World War.

During the three- to four-year interim period while the Soviet Union was withdrawing its troops from East Germany, no Nato troops would be deployed on East German soil. Thereafter, Nato-integrated troops from the German army would be permitted on the area of present-day East Germany, but neither foreign troops nor nuclear weapons would be stationed there.

Agreement reached on Polish problem

By Robert Mauthner, Diplomatic Correspondent, in Paris

THE FOUR wartime allies and the two Germanys yesterday cleared the last external obstacle to German unification when they reached complete agreement on the contentious Polish border question.

The accord opens the way to a settlement before the end of the year of the whole "German question" which has plagued east-west relations since the end of the Second World War.

The agreement was reached at a meeting in Paris between the six foreign ministers of the four wartime allies and the two Germanies, and Mr Krzysztov Skubiszewski, the Polish Foreign Minister.

The Polish problem was the only major issue still outstanding in the so-called "2 plus 4" talks after Monday's agreement between Soviet President Mikhail Gorbachev and Mr Helmut Kohl, the West German Chancellor, accepting Nato membership of a united Germany.

Under the agreement reached in Paris, Poland has achieved two of its major objectives: that its western border should be its present frontier with East Germany, generally described as the Oder-Neisse Line, and that it should be guaranteed by a treaty between a united Germany and Poland. The Poles have also won an undertaking that the agreement on their frontier will be specifically mentioned in the final document of the "2 plus 4" negotiations.

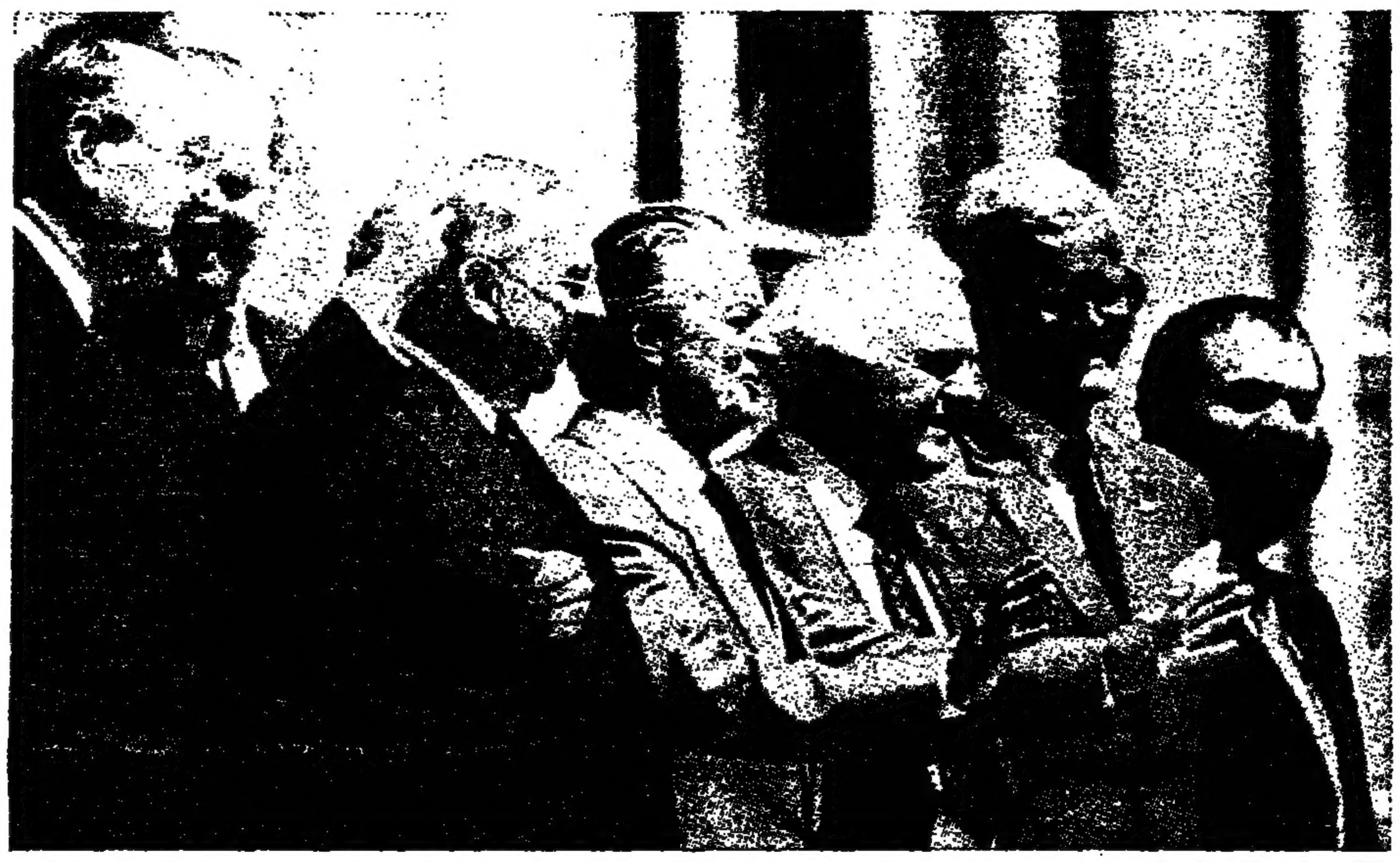
The agreement foresees that two separate treaties will be concluded between a unified Germany and Poland. The first will deal exclusively with the German-Polish border. It will be signed "in the shortest time possible" after German unification, not before, as the Poles had originally demanded. It will not cover war reparations or the question of German minorities in Poland.

The four allied powers have undertaken to declare that "the borders of a united Germany will be definitive in nature and that the definitive borders should not be put into question by any event or circumstances of an external nature."

In answer to concerns that this phrase could commit the allies to a military intervention to defend the Polish borders, Mr Skubiszewski formally put it on record that Poland did not consider such a declaration as an absolute guarantee.

The second treaty will be one of "friendship and good neighbourliness" which will probably include a number of other outstanding issues not

Continued on Page 16



Participants at the German unification talks in Paris, from left: West German Foreign Minister Hans-Dietrich Genscher; US Secretary of State James Baker; Polish Foreign Minister Krzysztov Skubiszewski; French Foreign Minister Roland Dumas; Soviet Foreign Minister Eduard Shevardnadze, British Foreign Secretary Douglas Hurd and East German Foreign Minister Markus Meckel

Moscow cut oil supplies without warning say Czechs

By Leslie Colitt in Prague

CZECHOSLOVAKIA yesterday accused the Soviet Union of cutting oil supplies severely to the country without warning, and said it was forced to raise petrol prices by at least 50 per cent to curb consumption.

Mr Vladimir Dlouhy, the Economics Minister, said Moscow "unexpectedly" slashed oil supplies to Czechoslovakia by 35 per cent this month, after previous smaller cuts. A 30 per cent drop in oil was signalled for the next three months.

Overall, Soviet oil deliveries were 16 per cent lower this year and would be "substantially" less next year, he told the Financial Times. Czechoslovakia was this year to have received 16m tonnes of crude oil from the Soviet Union, as in past years.

The Czechoslovak Government said yesterday that petrol prices would rise by at least 50 per cent from their present 9 korunas (33 cents) a litre for super and 7.50 korunas for diesel. Exact rises would be announced later.

In Prague, meanwhile, angry motorists formed mile-long car queues at petrol stations across Czechoslovakia. "It looks like Brezhnev's revenge," one motorist, queuing patiently for petrol in Prague noted dryly.

Mr Dlouhy said petrol reserves had sunk to only a few days' supply, while the Government feverishly sought alternative sources.

Mr Vaclav Klaus, the Finance Minister, said the Government was not officially notified of the oil cutbacks by the Soviet Government, but was simply informed by the Czechoslovak oil importer. Prague repeatedly asked Moscow for talks, but senior Soviet economics officials said they were involved in preparations for the recent Soviet party congress.

Mr Slavomir Stracar, the Czechoslovak Minister of Foreign Trade, will confer on the oil crisis in Moscow next week, and Mr Yuri Maslukov, the head of Gosplan, the Soviet planning commission, has agreed to meet Mr Dlouhy in Moscow in early August.

Moscow has recently reported growing difficulties with oil production, and said last week that deliveries to eastern Europe overall would be curtailed by 7m tonnes.

Hungary also recently complained of shortfalls in Soviet

Continued on Page 16

Tuffier faces bankruptcy after Paris stockmarket volumes fall

By William Dawkins in Paris

A CRISIS at Tuffier et Associés, one of the largest independent French stockbrokers, deepened yesterday when its biggest outside shareholder said it would only support the firm if it first filed for bankruptcy.

A defiant Mr Thierry Tuffier, founder and chairman, last night said he would continue looking for alternative backers before deciding – probably this evening – whether to accept the terms.

"I would prefer something better... We are suffering from the market's lack of faith in our ability to survive," said Mr Tuffier, who estimated that the firm needed FFr200m ($36m) in fresh treasury funds to restart operations.

Tuffier was last week forced to suspend all operations by the Conseil des Bourses de Valeurs (CVB), the stock market regulatory authority, on the grounds that it was temporarily insolvent.

It is the first serious casualty caused by a downturn in trading volumes, as a result of which up to two-thirds of Paris's 45 stockbroking firms are believed to be making losses. Mr Tuffier said margins and volumes had both fallen by 15 per cent since the start of the year, causing a "crisis of profitability."

The firm has for the past few days been locked in negotiations with Banques Populaires, the retail banking group which owns 12.45 per cent of Tuffier's equity capital, the biggest single stake, and which has lent the firm FFr200m in medium term and revolving credits.

Mr Tuffier declined to name alternative backers, although market sources speak of Scandinaviska Enskilda Banken of Sweden as a possible buyer of at least Tuffier's fund management division. However, a possible solution involving an unnamed UK group has not come to fruition.

Mr Tuffier had no idea why Banques Populaires wanted to start bankruptcy proceedings. This would relieve the bank of any responsibility, as Tuffier's new owner, for paying off its other debts and make it easier to lay off staff, said analysts.

The first hint of the crisis came with Tuffier's announcement last week that it was to cut its staff by 100, a third of the total.

The CBV was meeting yesterday evening to decide whether to continue Tuffier's suspension, which seems inevitable in the light of Banque Populaire's demand. While the CBV cannot demand bankruptcy, continued suspension leaves Tuffier little choice.

All French stockbrokers' margins have been squeezed since last July's abandonment of fixed commissions which, combined with a decline in trading volumes and an increase in competition, has hit profits.

● The stock exchange watchdog, the Commission des Operations de Bourse, has uncovered an increase in financial wrong-doing over the past year. It sent 21 reports to the public prosecutor last year, up from eight in 1988. They allege insider dealing, fraud, and the dissemination of false information among other crimes, said the COB's annual report.

CONTENTS

Maintaining 'the politics of the ostrich' Tunisian-style

Tunisian President Zine El Abidine Ben Ali took over in 1987 to forestall the hanging of Islamic activists, but political reform has not stemmed the rise of the fundamentalist tendency in Tunisia. Page 4

MARKETS

STERLING
New York lunchtime:
$1.8134
London:
$1.812 (1.804)
DM2.9825 (same)
FFr10.0025 (same)
SFr2.5475 (2.5575)
Y268.75 (267.0)
£ index 94.0 (93.8)

GOLD
New York: Comex Aug
$363.0 (364.5)
London:
$361.25 (362.75)

N SEA OIL (Argus)
Brent 15-day Sep
$18.3 (18.45)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.6455
FFr5.522
SFr1.406
Y148.1
London:
DM1.648 (1.653)
FFr5.52 (5.545)
SFr1.406 (1.417)
Y148.35 (148.05)
$ index 65.7 (same)
Tokyo close: Y148.20

US lunchtime rates
Fed Funds 8.0%
3-mo Treasury Bills:
yield: 7.625%
Long Bond:
$103\frac{3}{16}$
yield: 8.45%

STOCK INDICES
FT-SE 100:
2,415.0 (+8.5)
FT Ordinary:
1,912.9 (+12.0)
FT-A All-Share:
1,182.81 (+0.4%)
New York lunchtime:
DJ Ind. Av.
2,982.33 (−7.42)
S&P Comp
368.46 (−2.48)
Tokyo: Nikkei
33,172.28 (+150.55)

LONDON MONEY
3-month interbank:
closing 14 $\frac{31}{32}$% (14$\frac{15}{16}$)
Liffe long gilt future:
Sep 84$\frac{27}{32}$ (85$\frac{13}{32}$)

De Mita challenge undermines Andreotti coalition's edifice

By John Wyles in Rome

WITH almost predictable punctuality the none too distant thunder of a political crisis can be heard in Rome just as the Italian coalition led by Mr Giulio Andreotti is settling into the presidency of the European Community.

Understandably, he and his ministers want to acquit themselves well in this international role. This makes them vulnerable to the odd bit of blackmail backed by threats of political crisis to which every Italian coalition is subject from its component parties.

These numbered five when the Andreotti coalition began a year ago, but an amoeba-like split in the dominant Christian Democrat (DC) party has created an extra appendage which now seriously threatens the government's equilibrium.

When the DC's left faction, led by Mr Ciriaco De Mita, raised the flag of revolt against the party leadership six months ago, its spokesmen blandly asserted that there was no reason why they should be seen as a dagger pointed at the government's heart.

Mr De Mita and his colleagues, who represent about a third of Italy's largest party, were resigning their party offices, they said; but they were loyal Christian Democrats who cared only for the good of the nation, and the left's five ministers would remain loyally at their posts.

Yet on Friday Mr Andreotti may have to turn a vote on a bill establishing Italy's first regulatory framework for television into a motion of confidence in the Government.

"Governments can die of confidence," says Mr De Mita, leaving open the possibility that his faction may still join the opposition and defeat Mr Andreotti's coalition.

What is happening inside Italy's largest party to prompt such an insurgency by a man who led the DC for seven years until February 1989? Quite simply, Mr De Mita has lost power, he wants to regain it and is ready to bloody a few noses.

His first aim would seem to be to prove the leadership of Mr Arnaldo Forlani a failure. Mr Forlani replaced him as party leader 18 months ago with the help of Mr Andreotti, and an embarassing political crisis would not be helpful to either. Quite how it would deliver a majority for Mr De Mita at the next party congress, sometime in 1991, remains a mystery.

Mr De Mita's second objective is to diminish the power of Mr Bettino Craxi, the Socialist Party leader, without whose support the DC and the three smaller lay parties have no parliamentary majority. He accuses Mr Forlani of selling out to Mr Craxi and accuses Mr Craxi of having sold out to Mr Silvio Berlusconi, the king of Italian private television.

Mr De Mita has been resisting compromises on the television bill which would weaken a total ban (voted by the Senate) on advertising spots during the transmission of feature films initially made for cinemas. This could cost Mr Berlusconi L200bn-L300bn ($164m - $247m)) a year and might even lower his payments to the Socialist Party.

The DC left also wants to remove the existing ceiling on the advertising revenue which supplements the licence-fee income of the three television channels of the Rai, the state television network.

Mr Craxi has been fighting hard to defend Mr Berlusconi's corner, while urging Mr Forlani to deal with Mr De Mita.

The Socialist leader is particularly enraged by the fact that even as he brandishes one threat of crisis, Mr De Mita is joining with the Communists in preparing another – a referendum which would force the political parties to bring in a new electoral system.

Mr De Mita wants changes which would leave the choice of government to the electorate and reduce Mr Craxi's ability to build coalitions.

Turkey's opposition backs ethnic rights for the Kurds

A VIGOROUS call for Turkey's 10m Kurds to be given ethnic rights has thrown the political spotlight on an issue that challenges a tenet of the modern republic's founder, Mustafa Kemal Ataturk, Reuter reports from Ankara.

The call by the main opposition Social Democrat Populist Party (SHP) is designed partly to reduce Kurdish separatist violence that has claimed nearly 2,500 lives since mid-1984.

"The SHP will allow the means for citizens who accept the Kurdish identity and call themselves Kurds to express this identity freely and as they wish in all walks of life," the party said in a report released this week. Among other things it urged freedom for Kurds to use their own language.

The call has received a mixed reaction, ranging from support to a State Security Court inquiry, derision and accusations of opportunism by a party which last year expelled seven deputies for attending a Kurdish conference in Paris.

"The official language is Turkish. We must not stray outside this," President Turgut Ozal said.

Mr Altan Oymen, a columnist writing in the liberal daily Milliyet, said: "We hope others will follow in the SHP's steps and create a constructive atmosphere for debate on the issue."

Mr Esat Kiratlioglu, a senior official of the centre-right True Path Party, said the SHP's judgment was wrong. "There is no language problem in the south-east."

Turkey does not recognise its Kurds, who make up nearly one fifth of the population, as an ethnic minority.

They are among an estimated 17m Kurds who live in border areas of Iran, Iraq, the Soviet Union and Syria and speak a number of Iranian languages closely related to Persian.

At the heart of the SHP's proposal on language is a law whose contents have been accepted since shortly after the Turkish republic was founded in 1923.

"Indulging in any activity involving the utilisation and propagation of languages other than Turkish as a mother tongue is prohibited," the law states.

In a major attack on the law, SHP said such an arrangement was "primitive."

"This legal mechanism, which denies the realities of our country and of our age, has ignored the fact that the peoples of the world as well as our own people speak in their native languages as well as the official language."

Ataturk, in an effort to instil a sense of national identity lacking in the cosmopolitan Ottoman Empire, refused minority rights to Kurds and other ethnic groups.

In the south-east, where most of Turkey's Kurds live, Kurdish is widely heard but nobody apparently knows if and when they will be prosecuted for speaking their mother tongue.

"During martial law periods there are crackdowns on the language and officials don't want people to talk to them in Kurdish," a Kurd, who served a jail term in the early 1980s apparently for pursuing ethnic rights, told Reuters.

He was speaking last month in the main southeastern city of Diyarbakir, headquarters of the struggle against separatist guerrillas of the Marxist Kurdish Workers Party.

Ozal, asked if Kurds would ever be able to say openly "We are Kurds", answered: "This must be dealt with very carefully. It begins and will be followed by other things."

He was reflecting official concern at a time when the old east-west order is crumbling and Ankara sees itself under threat from outside influences.

It has bitter memories of the 1920 Treaty of Sevres, which would have carved out Armenian and Kurdish homelands in Anatolia.

Fighting resumes in Soviet Asian city of Osh

TWENTY-SEVEN people were injured in the Kirghiz city of Osh in a renewal of ethnic riots in the Soviet Central Asian republic which have killed over 200 in the past six weeks, Tass news agency said yesterday, Reuter reports from Moscow.

"Life in Osh is virtually paralysed. Transport is not working and factories are standing idle," the official agency quoted Lieutenant-General G. Kondratiev as saying of Monday night's fighting.

Tass said tension was also high in Azerbaijan's disputed enclave of Nagorno-Karabakh, where hundreds of people have died in the past two years in fighting between Armenians and Azeris.

Police in Osh used truncheons and fired warning shots after gangs of ethnic Uzbeks attacked police and fire stations and set alight seven houses and a school during the fighting.

At least 30 people were injured in fighting in the Osh region over the weekend. The unrest began on June 4 with pitched battles between Uzbeks and majority Kirghiz over allocation of building land.

Fighting has also flared up in Nagorno-Karabakh in the long-running battle over the territory, formally part of Azerbaijan but inhabited mostly by rival Armenians.

"Reports from Nagorno-Karabakh today remind one of dispatches from the front. Every one contains information about dead and injured," Tass said.

The director of the region's airport was killed by a bomb blast on Sunday night. The unofficial Interfax news agency said the border between Azerbaijan and Armenia was tense, with thousands of Armenian militants on the move.

It said the militants had tried to force their way into Azerbaijan on Monday night but had been foiled by Soviet Interior Ministry troops.

Tass said a group calling itself Salamander was circulating a leaflet in the Nagorno-Karabakh capital, Stepanakert, calling for armed action.

"The time for decisive action has come. Wake up friends, both old and young. Take up arms. Patience has come to an end," the leaflet said. Tass did not indicate whether the group was Azerbaijani or Armenian.

● Large numbers of Iranian and Soviet Azerbaijanis have crossed the Araks border river in the past few days but Soviet guards have not attempted to prevent them, the Iranian news agency IRNA said, Reuter adds from Nicosia.

It was the first report of major unauthorised crossings since Moscow sealed the border after a bloody crackdown on Azerbaijani nationalist unrest in January.

IRNA, monitored in Cyprus, said low water levels in the Araks and warm temperatures had turned Iran's Sanam Boulaghi area and the opposite bank in the Nakhichevan region of Soviet Azerbaijan into "a free zone for the exchange of visits".

Soviet guards did not intervene to stop the traffic. Azerbaijanis in both countries are predominantly Shia Moslems with a common culture and language. Many have relatives on the other side.

Thousands crossed both ways in January after Soviet Azerbaijanis demanding more contacts with Iran burned down border posts.

Gorbachev appoints close ally to Council

PRESIDENT Mikhail Gorbachev of the Soviet Union yesterday appointed close political ally Mr Vadim Medvedev to his Presidential Council, the new top organ of power, Reuter reports from Moscow.

Mr Medvedev, 61, a close adviser to Mr Gorbachev on ideology, was heckled and jeered by delegates at this month's conservative-dominated Communist Party congress for allegedly failing to uphold traditional communism.

One angry conservative waved a red card at him, apeing a football referee expelling a player from the game.

The announcement, reported by Tass' gave no details but the council was apparently being increased to 17 members from 16. The council, whose members are all nominated by the president, is fast taking over the pre-eminent position traditionally held by the party's Politburo.

The party congress marked the transfer of status to the council, which came into being in March after Mr Gorbachev's election as president.

Mr Medvedev, a political economist, became ideology chief in 1988 and associated with Gorbachev allies like Mr Eduard Shevardnadze, the Foreign Minister, and the liberal Mr Alexander Yakovlyev.

He defended himself vigorously at the congress with fierce denunciations of Stalinism and former leader, the late Mr Leonid Brezhnev.

He told reporters at the end of the congress that with the defeat of the conservatives and departure of the radical reformist fringe the party could be "consolidated around the centre-left."

France sees interest rate gap falling

THE GAP between French and West German interest rates will narrow further "in the coming weeks and months," Mr Pierre Bérégovoy, France's Finance Minister, forecast yesterday, writes William Dawkins in Paris. The gap in long-term rates between the franc and the D-Mark has fallen from 3 percentage points in April 1988 to 2 points at the start of this year and has fluctuated around 1 point since April.

Mr Bérégovoy was speaking to the French National Credit Council a day after the publication of the latest consumer price figures, showing that French inflation was also falling towards West German levels.

Kohl plays down 'stupid' Ridley remarks

By David Marsh in Bonn

ANTI-German remarks which led to the resignation of Mr Nicholas Ridley as Britain's Trade and Industry Secretary would not harm Anglo-German relations, Mr Helmut Kohl, the West German Chancellor, said yesterday.

Questioned at a press conference about Mr Ridley's outburst last week in an interview with The Spectator magazine, Mr Kohl called the remarks "rather stupid", but gave a good-humoured response, saying: "Write in your newspaper that we haven't taken this badly."

With jovial *schadenfreude*, Mr Kohl pointed out that Mr Ridley, who was forced to resign at the weekend, had "lost" over the issue.

Mr Kohl, in expansive form after returning from the Soviet Union with Moscow's support for German unity, was plainly in a mood to forgive, if not wholly to forget. He called Mr Ridley's interview a "plain faux pas", and said he did not associate the whole of the British government with the statement.

Mr Kohl gave a jocular reply to a question about the memorandum drawn up in Whitehall about Germans' alleged character defects, which was leaked at the weekend. "Now we will write a report about you," he said.

Referring to foreign fears about the effects of German reunification, he said, "I have a certain understanding for our neighbours." Mr Kohl said Britain had put its "national existence at stake" in the war against Hitler.

In remarks hardly likely to lower discomfort in Paris and London, Mr Kohl said West Germany would probably react in a similar way if it were confronted like Britain or France with the challenge of a powerful reunited neighbour.

Mr Kohl has clearly gained considerably in self-confidence as a result of the last nine months' drive towards German unity. In fielding the question about Mr Ridley, he commented that he himself had not always been so "clever" in his remarks about Mr Mikhail Gorbachev, the Soviet leader.

This was a highly unusual voluntary reference to his indirect comparison in 1986 of Mr Gorbachev with Joseph Goebbels, the Nazi propaganda chief, which led to a considerable cooling for several months of relations with Moscow.

Lithuania sets date for Moscow talks

LITHUANIAN President Vytautas Landsbergis said yesterday that talks with Moscow on the rebel republic's independence bid would probably not start before September.

During an interview on Soviet television Mr Landsbergis said it was unlikely the talks would start before the Lithuanian parliament takes a one month break at the end of July.

"I doubt it because very thorough preparation for the negotiations is needed," he said.

Lithuanian officials had originally hoped the talks would start soon after the Communist Party's 28th Congress, which ended last Friday.

"It is not clear when the talks will begin," a Lithuanian parliamentary spokesman said from the capital Vilnius.

Both sides have announced delegations for the negotiations.

The parliament voted in June to suspend its independence declaration for 100 days from the start of any talks with Moscow on its bid to break ties with the Soviet Union.

In return, the Kremlin lifted Lithuania's two-month economic blockade which closed down much of the republic's industry and forced 50,000 people out of work.

Lithuania and Baltic neighbours Estonia and Latvia – all forcibly incorporated into the Soviet Union in 1940 – are coordinating their independence bids.

Portuguese trade deficit narrows

Portugal's trade deficit worsened sharply in the first five months of the year, rising 34.5 per cent compared with the same period last year, according to the National Statistics Institute, writes Patrick Blum in Lisbon.

Imports remained strong, increasing 28.8 per cent to Esc1,447bn (£5.5bn), while exports rose 26 per cent to Esc956.4bn, leaving a deficit of Esc490.9bn.

Consumer goods imports grew most, rising almost 50 per cent in value, to represent 17 per cent of the total, while imports of machinery rose 40 per cent.

The rising volume (up 22 per cent) and value of imports underlines the continued high rate of growth and activity in the Portuguese economy.

EC information technology strategy urged

By Alan Cane

LEADERS of western Europe's main information technology (IT) companies are trying to persuade the European Commission that a Community-level strategy for IT must be established if they are to compete effectively with the US and Japan after 1992.

The European IT Industry Round Table, which includes the 12 largest companies, has had high level discussions with the Commission about developing an IT framework.

One suggestion is that the Commission and member states should co-ordinate their public procurement policies to establish EC-wide data communications networks to promote the European industry and assist intra-EC business.

Mr Peter Bonfield, deputy chief executive of STC and Round Table chairman for the past six months, warned last night the European industry was going through substantial restructuring. The Community was simultaneously just beginning to realise the scale of the administrative problems it faced after the establishment of the single market.

Speaking in London, he said the answer was to institute EC-wide computer networks designed to improve public administration and intra-Community business".

Belgian court blocks Sabena plans

By Tim Dickson in Brussels

THE LEGAL battle by a small Belgian charter airline to clip the wings of Sabena World Airlines (SWA), the joint venture between Sabena, British Airways and KLM of the Netherlands, appeared to have paid off yesterday when a Brussels court ordered a freeze on the number of take-off and landing slots allocated to SWA.

Trans European Airways (TEA) originally said the purpose of its challenge was to prevent the Belgian Government transferring monopoly rights given to Sabena under a law of 1949 to SWA. On this point the court found in favour of SWA.

But in a move which delighted Mr Georges Gutelman, TEA's combative chairman, the court based its decision to prohibit the request for further slots on one of the key competition rules of the European Community.

Mr Gutelman not only believes that the order will constrain SWA in its development and force the company to negotiate fairer competition from the Brussels airport hub. He expects Sir Leon Brittan, the competition commissioner, to take note of the ruling and to use it to insist on changes in the SWA deal.

Discussions between the EC and the three airlines are proceeding following the decision last month to send statements of objection to all the parties.

● Lord King, British Airways' chairman, told shareholders at the company's annual general meeting he was confident the European Commission would allow BA to take a 20 per cent stake in Sabena World Airlines, despite last month issuing the three airlines with a formal statement of complaint.

He refused to justify his 33 per cent pay rise last year to an annual salary of £500,000 and defended the company's £40,000 donation to the Conservative Party.

BA annual meeting, Page 21

French minister replaced

FRENCH President François Mitterrand appointed a new tourism minister yesterday to replace Mr Olivier Stirn, who resigned after actors were paid to attend a seminar he organised, Reuter reports from Paris.

Mr Jean-Michel Baylet, 44, former secretary of state for France's overseas possessions, will take over from Mr Stirn, who was forced to resign because of his role in the seminar.

Mr Stirn has denied hiring actors to fill empty seats at the seminar.

Hungary's target for Community entry

Mr Jozef Antall, the Hungarian Prime Minister, said in an interview published yesterday that his country wanted to join the European Community by 1995, Reuter reports.

"Our strategic aim is to obtain membership by 1995. After Austria, no doubt, but *before* all the other countries of what used to be called eastern Europe," he said.

Mr Antall was on his first visit to Brussels yesterday for talks with the European Commission and Nato. He was reported to be seeking an association agreement with the EC by January 1 1992

Bridging loans help ease Hungary's financial crisis

By Nicholas Denton in Budapest

HUNGARY said yesterday that its financial crisis was easing with the release of bridging loans to the country, following International Monetary Fund approval for the Government's emergency mini-budget.

"The liquidity squeeze is over," said Mr Bela Sandor, general manager of the Hungarian National Bank's international department.

He spoke as the central bank yesterday announced that the Bank for International Settlements (BIS) had freed a $80m facility to span the gap until promised IMF credits come through. The action came after the IMF gave reassurance that the next two $40m tranches of its $210m standby credit were no longer in jeopardy.

The IMF has held back until the Hungarian Government took measures to control its budget deficit and meet the IMF's Forints 10bn (£88m) target for 1990.

Last week the Government began to implement a surprisingly tough budget package to improve the balance by Forints 25bn and this appears to have satisfied the IMF.

The development also removes the remaining obstacle to the $100m BIS bridge to a $200m credit from the Export-Import Bank of Japan. Mr Sandor said yesterday that there were "no open questions now."

Hungary's application in May for BIS bridging loans followed what Mr Sandor called a "mass withdrawal of short-term deposits."

Central bank reserves fell from $1.8bn to $1.1bn between the end of 1989 and April this year, as Austrian and other western commercial banks cut credit lines in an undifferentiated response to Bulgaria's suspension of payments.

Agreement in principle on $280m from the BIS restored some confidence and the outflow of funds stopped at the end of May. But the full realisation of the loans was critical because $500m of repayments, a quarter of the 1990 total, are due on maturing medium-term loans in June and July.

Hungary hopes to reduce its dependence on official sources of new lending to service its $19.7bn foreign debt. Mr Sandor said that once the current account improvement was seen to be firmly *established*, the central bank would launch "a new campaign to regain the confidence of private banks."

Efta moderates its stance towards EC

The European Free Trade Association (Efta) has moderated key demands to improve its chances of creating free passage of people and goods with the European Community, a Swiss minister said yesterday, Reuter reports from Brussels.

Efta, which groups Switzerland, Sweden, Norway, Iceland, Finland and Austria, has abandoned many of its demands for exemptions from EC law in its bid to form the so-called European economic space.

Mr Jean-Pascal Delamuraz, the Swiss Economy Minister, said Efta wanted to adopt as much EC law as possible dealing with free movement of goods, services, capital and people between the two groups.

"We have considerably reduced what could be considered desirable in terms of exceptions to what is really and substantially indispensable," he said.

Opposition vacuum threatens to ignite Balkans

Lack of democratic experience makes for greater upheaval, reports Judy Dempsey

AS Poland, Czechoslovakia and Hungary strengthen their fragile democratic institutions, their southern neighbours in the Balkans are shifting between crypto-fascism and instability as their ruling élites fight to retain power.

The shifts are sometimes violent, as in the case of the Romanian miners who were invited by President Ion Iliescu to crush anti-government demonstrations in Bucharest last month.

In Bulgaria Mr Andrei Lukanov, the Prime Minister, attempts to maintain stability by trying, so far in vain, to form a government of national consensus aimed at bringing Bulgaria out of decades of backwardness and misrule.

In neighbouring Serbia, the largest of the republics in Yugoslavia, Mr Slobodan Milosevic, the nationalistpresident, this week changed the Communist Party's name to the Socialist Party in an attempt to woo the electorate.

Despite the new image and language of reform, Mr Milosevic's economic policies invest considerable power in the state while his political programme is seeped in nationalist rhetoric which promises to regain Serbia's statehood.

Decoded, this means undoing the late President Tito's 1974 constitution which carved out of Serbia the two autonomous provinces of Vojvodina in the north and Kosovo in the south as a means of containing this proud republic in the federation.

Today, Mr Milosevic is fighting for his political survival against the wave of democratisation sweeping through the other republics.

But by appealing to Serbian history and by running roughshod over the ethnic Albanians in Kosovo, Mr Milosevic is risking the fragmentation of the Yugoslav federation as each republic attempts to defend its autonomy against encroachment from powerful Serbia.

In Albania, President Ramiz Alia is as obsessed as his predecessor, the late Enver Hoxha, about his country's independence and power.

But that independence, which amounted to four decades of self-imposed isolation, placed Albania in an extraordinary time capsule. The country's industry is starved of capital investments, the population, which has one of the highest birth-rates in Europe, is underemployed and neglect of agriculture is leading to serious food shortages.

The stampede by thousands of Albanians into western embassies this month should have provided Mr Alia with the clearest signal yet that the régime's days are numbered.

Instead Mr Alia confidently turned his back on the exodus of 5,000 of his countrymen while several embassies at the weekend closed their doors. Europe does not want a second wave of asylum seekers.

Mr Alia has promised Albanians a passport, but they require hard currencies for visas. Since it is illegal to hold hard currency, they cannot go anywhere. So pressure for change is likely to build up. Albania may well follow the Romanian road towards revolution. But in this case the upheaval could be greater; the instability more lasting.

Between the two world wars, the political and democratic experiences in the Balkans, unlike Poland, Hungary and Czechoslovakia, were practically non-existent. The fledgling democracies were run by corrupt political parties weaned on centuries of Ottoman rule. Patronage and nepotism thrived at the expense of independent civil institutions.

After the communists seized power in 1945, they created massive dislocation among the largely peasant (and conformist) population. Peasants were forcibly up-rooted and rapidly transformed into an industrial class with no working class traditions.

They came to depend on the state for their livelihood and political protection. This deepened their conservatism, conformism and passivity.

Nor do these countries (with the exception of the dwindling ethnic German minority and the Hungarian community in Romania) have articulate Roman Catholic or Protestant communities in which independent views are expressed.

In the case of Poland and Slovakia, Roman Catholicism provided a buffer against the state. In East Germany, the Protestant churches provided a sanctuary for the opposition. But in Bulgaria and Romania, the Orthodox churches under communist rule provided no autonomy for independent or anti-state activity. Loyalty to the state and the status quo was unswerving.

ADDED to this, while the democratic forces, embodied in the dissident movements of Poland, Hungary and Czechoslovakia continually confronted the communists' monopoly of power, the communists in Bulgaria, Romania and Albania had unbridled scope ruthlessly to impose totalitarianism.

The Romanian experience, to which Mr Alia recently made veiled references, suggest that the greater the repression, the greater the potential for upheaval from a society in which the youth and intellectuals resort to rebellion because they have nothing to lose.

But as the Bulgarian and Romanian experience also show, the attempt to restore confidence in discredited political institutions delays stability and tends to hinder genuine liberalisation.

That is why Bulgaria's Mr Lukanov has so much trouble forming a coalition government. Few believe the old guard can reform.

It is also why, in Romania, substantial reforms have been slow to come. Romanian communism developed in conservative, conformist workers and peasants a deep distrust for the country's tiny political and intellectual élites.

In Albania, the challenge, as in Bulgaria and Romania, will come from within. But this time, there is no organised opposition, no "reform" communists within the ruling Albanian Party of Labour. Instead, change will come from the masses who may well set the fuse to the Balkan tinderbox.

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WORLD TRADE NEWS

US raises hurdle in way of pact on services

By William Dullforce in Geneva

DISAGREEMENT over civil aviation, shipping, banking and securities markets has thwarted an attempt to have a draft framework agreement on the liberalisation of trade in services ready for next week's meeting of the Uruguay Round Trade Negotiations Committee (TNC).

US negotiators have refused to accept the premise enunciated by the European Community and many other countries that a General Agreement on Trade in Services (Gats) must embrace all services.

Washington insists on retaining the option to exclude certain services – civil aviation, maritime transport, financial services and possibly telecommunications – from the umbrella agreement.

As a result, the draft presented yesterday by Mr Felipe Jaramillo, chairman of the group negotiating on services, contained a blank page under the heading "coverage".

The omission is important because countries will not subscribe to other elements in the complex liberalising mechanism detailed in the draft Gats before the scope of the agreement has been clarified.

Trade officials point out that, if the US reserves the right to exclude services it considers particularly sensitive, other countries will claim the right to leave out other service sectors and the Gats would fall apart.

US insistence on retaining the option to exclude has surprised officials. The Americans were the first to press for talks on services to be included in the Uruguay Round.

Last month, they presented 37 countries with lists of barriers to trade in services that they wanted to have removed or lowered. They have been calling for initial commitments on liberalisation before the end of the Round.

However, the Bush Administration has not delivered on its own side. It appears to be unable to change the attitudes of industrial lobbies, which want to keep civil aviation and shipping, in particular, out of Gats.

Initially, financial services were taken to be the biggest stumbling block. The US Trade Representative's Office was fighting a battle against the US Treasury which sought to have banking and securities markets given special status, partly for regulatory reasons.

Now, an understanding reached among the leaders of the seven big industrial powers at their Houston Summit last week has improved the prospects of including financial services in Gats, probably with special sectoral rules being applied.

Another problem unresolved in the draft text concerns the EC's demand that Gats should provide for effective access to foreign markets. Japan opposes the inclusion of specific commitments.

The EC argues that application of the principles of national treatment and non-discrimination would not on their own ensure access to markets, such as Japanese banking and securities markets, where special regulations apply.

The draft does reflect a compromise over the mechanics of liberalisation, which aims at satisfying developing countries. Initially, countries will indicate which services sectors they are prepared to liberalise and will negotiate reciprocal benefits in those.

At a second stage, they will be expected to accept general liberalisation, except for any reservations they would write into national schedules. In later stages, these schedules themselves would be the subject of negotiation.

Textiles quotas bill set to pass Senate

By Nancy Dunne in Washington

LEGISLATION establishing a new global quota system for American textile and apparel imports was yesterday expected easily to pass the US Senate before going down as another futile attempt to protect a beleaguered industry.

The bill would wipe out the current bilateral quotas negotiated under the Multi-Fibre Arrangement and substitute, instead, worldwide quotas, which would exclude only Canada and Mexico.

The textile and apparel industries, though weakened by plant closures and the defection of some clothing makers, probably have enough backing to get the bill through both houses, but insufficient clout to muster two-thirds of the members for a veto override.

It is not even certain that the House will find time in its busy schedule to bring the legislation to the floor.

Mrs Carla Hills, US Trade Representative, last week called the bill so "highly detrimental to the overall interest of the US" that she would recommend a veto.

One week ago in the Houston summit communiqué, President Bush endorsed, in the strongest terms thus far, US support for liberalisation of "the textile and clothing sector through progressive dismantling of trade barriers and its integration, under a precise timetable into Gatt".

A spokesman for the American Textile Manufacturers Association said the legislation is a serious attempt to solve the industry's problems. But the industry has also joined with EC manufacturers to propose in the Round a different quota formulation which would exclude the developed countries.

Mr Michael Daniels, a lawyer for the US Association of Importers of Textiles and Apparel, yesterday dismissed the legislation as "a side show".

Still, it sends a message of strong support for the industry's interests to be kept in mind when the final package of Gatt reforms is submitted to the Congress next year.

Building exports at highest value since 1982

By Andrew Taylor, Construction Correspondent

THE VALUE of world construction export orders rose by almost a fifth last year to stand at their highest level since 1982, according to a survey of the largest 250 international contractors.

Construction exports which had fallen sharply following the collapse in oil prices during the mid-1980s have risen by more than 50 per cent since the end of 1987.

The latest survey shows international contractors won $112.6bn in foreign contracts last year compared with $94.1bn in 1988 and $73.9bn in 1987.

Last year's total was still below the $123bn of foreign contracts won by the top 250 international contractors in 1982.

The Middle East was then the largest construction export market, generating orders that year worth more than $50bn.

The biggest and fastest growing markets for cross-border contracts are currently Europe and Asia, according to the annual survey by ENR, a weekly construction magazine published in the US by McGraw-Hill.

The huge changes taking place in Europe, including the planned removal of trade barriers in 1992 between European Community countries, and the easing of economic and political restrictions in eastern Europe, has created a market with enormous potential, contractors say.

The value of export orders won by foreign contractors in Europe last year rose by 30 per cent to $25.4bn. This compares with $19.4bn in 1988 and $17.2bn in 1987.

Europe has become the world's largest construction export market, closely followed by Asia where orders rose by 19.5 per cent to $24.5bn last year.

The strength of developing Asian economies in countries such as Korea and Malaysia has encouraged contractors, notably from Japan and the US, to forge joint ventures with local construction companies.

They have done so to win an increased share of construction work in Asia, ENR says.

Maeda Construction of Japan late last year signed a regional agreement with Ssangyon Construction of Seoul; Rust International of the US has a joint venture with another South Korean construction company, while Taylor Woodrow of the UK has operated from Malaysia since 1964.

The past 18 months has seen an even large number of acquisitions, stake building and joint ventures among western European contractors.

French companies have been particularly active in acquiring stakes and making takeovers ahead of 1992.

A feature of the increased ability of contractors to win international contracts has been their willingness worldwide to forge links with domestic contractors.

This has given them access to markets which would have remained closed without the involvement of a local company. Contractors have also become more sophisticated in raising private-sector finance to fund work which might otherwise not have taken place.

US companies were the most successful last year in winning export orders, taking 34 per cent of all cross-border orders – an increase of 6.5 per cent over 1988.

Japan's share of foreign construction orders remained virtually unchanged at 11.4 per cent.

ENR said increased construction in Japan meant major builders were reported to be "re-assigning managers from overseas branches to domestic sites to make up for staff shortages at home".

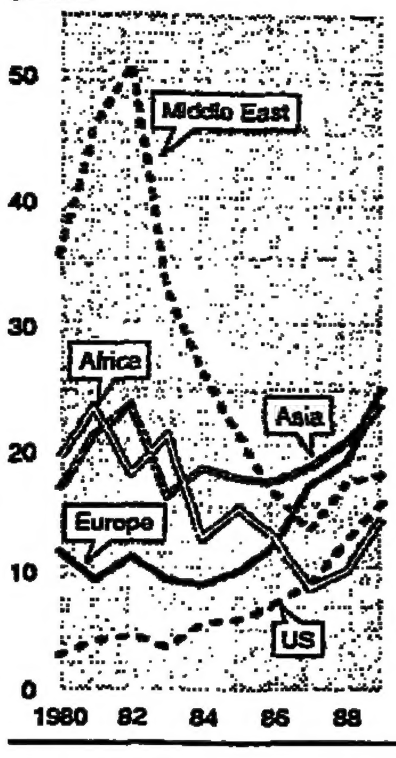
European contractors won 47 per cent of export orders – some 5 per cent fewer than during 1988. France displaced Italy as Europe's biggest winner of cross-border orders, with 11.8 per cent of the export market.

Britain was in second place with 11.3 per cent. Italy accounted for 9.6 per cent of international orders, with West Germany accounting for 7.6 per cent.

West German companies currently have a very strong domestic market, which will be boosted by reunification with East Germany.

International construction orders

$ billion



EXPORT ORDERS ($bn)

Region	1987	1988	1989
Europe	17.2	19.4	25.4
Asia	15.5	20.5	24.5
Middle East	13.4	17.4	17.8
US	8.9	12.7	15.5
Africa	9.0	10.1	14.3
L America	7.4	7.5	7.6
Canada		6.5	7.2

LARGEST EXPORTERS ($bn)

Company	1989
Brown & Root (US)	7.16
Bechtel (US)	6.62
M.W. Kellogg (US)	5.56
ABB Lummus Crest (US)	4.39
Bovis Int (UK)	4.38
Fluor Daniel (US)	4.22
Davy Corp (UK)	3.91
Dumez (France)	3.59
JGC Corp (Japan)	2.97
Foster Wheeler (US)	2.95

Source: ENR

US financial group moves towards HK airport deal

By John Elliott in Hong Kong

MORGAN STANLEY of the US and Wardley, the merchant banking arm of the Hong Kong and Shanghai Bank, are negotiating the final details of two financial consultancy contracts which they are to be awarded on Hong Kong's planned HK$127bn (£9.1bn) airport and other related infrastructure projects.

The Hong Kong Government is placing about 20 consultancy contracts for financial, planning, legal and engineering work on the projects.

Part of the consultants' work will be to attract private-sector participation.

International banks and financial institutions are waiting for China to give its blessing to the plans before expressing positive interest because the airport is not scheduled to open until early 1997, a few months before the colony reverts to Chinese sovereignty.

Morgan Stanley is to be the Government's overall financial adviser for all the projects, including viability of the airport, where it will work with Bechtel of the US, the overall project management adviser.

Wardley will provide specific advice on raising funds for the airport.

The Kleinwort Benson banking group of the UK was appointed two months ago to advise on the financial aspects of a proposed design, construct and operating contract for HK$18bn fixed road and rail links to Lantau Island. The airport is to be based on the island.

A joint venture comprising Greiner of the US and Maunsell Consultants Asia of Hong Kong last week signed a 16-month contract announced in May to draw up the master-plan for the airport.

The joint venture will also carry out civil engineering design and other preparatory work.

Europe 'should prepare for farm support cuts'

By David Buchan and Tim Dickson in Brussels

EUROPE should start preparing itself and its farmers for the consequences of some agricultural support cuts in a compromise with the US that could wrap the Uruguay Round trade negotiations, Mr Renato Ruggiero, Italian trade minister, said yesterday.

Mr Ruggiero, whose country currently holds the EC presidency, said it was his "deep belief that the real problem of the agricultural negotiations is we have not focused attention on what would be the consequences (of a Gatt accord), because we have been so eager to avoid discussion of them".

The minister was speaking after chairing a Gatt discussion in which he and ministers of the other 11 EC states broadly endorsed the general conclusions reached at last week's Houston summit, as guidance for the Commission to participate in next week's meeting of Gatt's Trade Negotiating Committee (TNC).

But Mr Ruggiero made clear he would use his influence as EC president during the Uruguay Round's final six months to try to get the Community to think through the implications of the "substantial, progressive cuts" in farm support heralded at Houston.

His concern was apparently echoed by Mr Arthur Dunkel, Gatt secretary-general, who yesterday was reported to have complained in a private meeting with Members of the European Parliament here that European leaders were not politically preparing EC farmers for sacrifice in the way US farmers had been prepared by their Administration.

"It will be extremely difficult to arrive at a satisfactory solution unless we have taken care of the anxieties of the farming world," Mr Ruggiero said.

He noted that the EC had "already paid a ticket" by cutting farm support by some $10bn (£5.58bn) over the past six years. This past contribution to reducing trade distortions meant European agriculture "would not be prepared to make a new contribution, unless it was given a long-term perspective.

"Has anyone told the (EC) farmers about cuts which might come?", Mr Ruggiero said, adding that in his view it was for the Brussels Commission to take the lead in clarifying the long-term perspective for European agriculture.

At a press conference, Mr Dunkel said he hoped Gatt participants would take "a multilateral step in respect of the proposals made by Mr Aart de Zeeuw", the Dutch author of the Gatt compromise paper on agriculture.

After yesterday morning's EC discussion, Mr Ruggiero hailed as positive the fact that ministers of the Twelve had decided "not to try to amend, but make constructive comments on, the de Zeeuw paper".

Mr Dunkel explained that the de Zeeuw paper "should not be seen as a prefiguration of what the final concrete document will be in the field of agriculture. It is an excellent guide for the negotiation, in that it should bring the participants into the negotiations proper on the different elements of the agricultural package".

Earlier, several EC states had signalled their unhappiness with Mr de Zeeuw's stress on export subsidies and his choice of 1988 as the starting date for measuring farm support reduction.

But Mr Dunkel said the document "could be a useful tool – it doesn't mean you have to adopt it".

Czech trade minister in UK talks

By Stephen Fidler

MRS VLASTA STEPOVA, Czechoslovakia's Minister for Trade and Tourism, has arrived in the UK for talks with government officials, construction companies and representatives of consumer and tourism organisations.

Her working visit will encompass shopping centres and talks with British companies interested in developing business in Czechoslovakia.

The companies include Trust House Forte, the hotels group, and Marks and Spencer. The minister will also meet senior officials from the construction groups Trafalgar House, Balfour Beatty and Bovis.

Her schedule includes discussions with the National Consumer Council, the Consumer Association and the British and Scottish tourist authorities.

Mrs Stepova's responsibilities include developing tourism in a country with a marked shortage of hotel accommodation. She was due yesterday to see Mr John Redwood and Lord Strathclyde, ministers of state in the Department of Trade and Industry.

Mrs Stepova is also to see Professor Brian Griffiths, head of the prime minister's policy unit. Czechoslovakia is expected to be a beneficiary of the "know-how" fund established by the UK Government to provide technical assistance for economic reform.

Italy can limit bike imports

ITALY can temporarily limit imports of small Japanese motorbikes to ease strain on its domestic market, the European Community's executive commission said yesterday, Reuter reports from Brussels.

The commission said that a sudden surge of imports could upset the industry in Italy, which is attempting to develop a small range of motorbikes to compete with third countries.

The industry had already lost 14,100 jobs, the commission added.

The import curbs apply to bikes below 380cc engine capacity.

Italian producers sold 46,512 of these bikes in 1989, down from 53,721 in 1987.

Soviets told that payment delays may hit funding

IT may be hard for Japanese financial institutions to provide funds to the Soviet Union while it continues to delay payments to Japanese companies, an official of the Japan Federation of Economic Organisations (Keidanren) said yesterday, Reuter reports from Tokyo.

"I hope the Soviet Union's foreign currency reserves improve," said Mr Isamu Yamashita, who was yesterday named chairman of the Japan-Soviet Business Cooperation Committee of Keidanren, the county's leading business organisation.

Soviet companies began to delay payments from the end of last year because of a shortage of foreign exchange.

Soviet companies owed at May 31 this year a total of $444.48m to the 15 Japanese companies that account for about 80 per cent of Soviet trade, data supplied by the Japan Association for Trade with the Soviet Union and east Europe show.

The Keidanren committee will meet Soviet officials in Tokyo in late January to early February, but has no immediate plans to send a mission to the Soviet Union. The last such meeting took place in Moscow in August 1989.

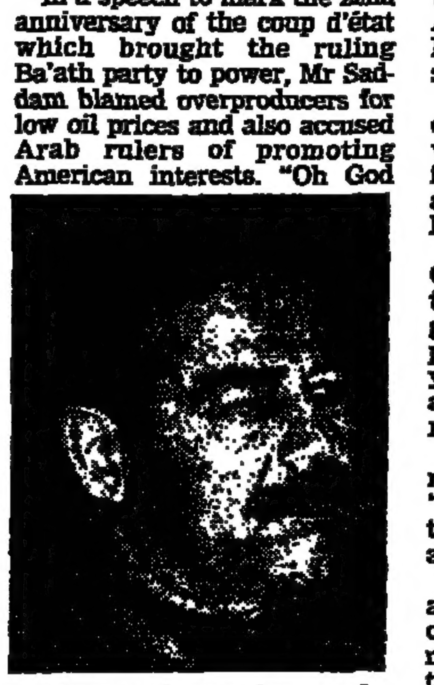
The committee will also hold a seminar in the Siberian cities of Khabarovsk and Irkutsk in August on quality control, production management and how to trade with Japanese companies.

Saddam attacks Arab neighbours over Opec quotas

By Victor Mallet, Middle East Correspondent

PRESIDENT Saddam Hussein of Iraq yesterday launched an unprecedented verbal attack on his Arab neighbours in the Gulf and threatened to retaliate if they continue to flout Opec oil production quotas.

In a speech to mark the 22nd anniversary of the coup d'état which brought the ruling Ba'ath party to power, Mr Saddam blamed overproducers for low oil prices and also accused Arab rulers of promoting American interests. "Oh God



Saddam: in threatening mood

Almighty be witness that we have warned them," he said.

"If words fail to protect Iraqis, something effective must be done to return things to their natural course and return usurped rights to their owners.

"Iraqis will not forget the maxim that cutting necks is better than cutting the means of living."

Although he mentioned no country by name, Iraq has previously criticised Kuwait and the United Arab Emirates for producing far in excess of their Opec quotas. However, both now seem prepared to cut production to pave the way for an agreement at next week's Opec meeting in Geneva.

Kuwait has particular reason to fear threats from neighbouring Iraq because of Baghdad's longstanding claims to Kuwaiti territory. British, and later Arab, forces were sent to Kuwait to deter Iraqi expansionism in 1961.

Saudi Arabia, which has close ties with the US and which has worked hard to forge an Opec consensus, is also likely to be upset by the Iraqi leader's remarks.

Mr Saddam accused some Gulf states of stabbing Iraq in the back "with a poisoned dagger", and said the fall in oil prices in the first half of this year cost Iraq $14bn (£7.8bn) at a time when it was trying to rebuild its economy.

"The policies of some Arab rulers are American," he said. "They are inspired by America to undermine Arab interests and security."

The oil market was hardly affected by Mr Saddam's vigorous denunciation of his Arab neighbours. Opec's determination to cut overproduction has caused prices to rise sharply, but yesterday there was a correction and September Brent crude was down 23 cents at $18.19 by late afternoon.

Mr Saddam criticised the Arabs for not recognising Iraq's achievement in the Gulf War – in which he was supported by both Kuwait and Saudi Arabia – but he praised Iran itself for responding to his call for a peace treaty.

In Iran, President Ali Akbar Hashemi Rafsanjani was quoted as saying yesterday that Tehran and Baghdad had narrowed their differences in their attempts to consolidate the 1988 ceasefire.

Australia's banking system tries to stop the rot

Kevin Brown reports on how one of the country's safest banks is haunted by its building society roots

THE Bank of Melbourne, one of several Australian building societies which have been transformed into banks, had to distribute extra cash to its branches yesterday to cope with long queues of depositors seeking to withdraw funds on the second day of a run on the bank.

Ironically, the bank is probably one of the safest in Australia following a rare public statement by Mr Bernie Fraser, Governor of the Reserve Bank, which effectively guaranteed the safety of its deposits.

However, the rush of withdrawals illustrates the nervousness of investors in the wake of a series of collapses and other problems among smaller financial institutions.

Until Monday, when rumours about the impending collapse of the Bank of Melbourne prompted Mr Fraser to act, the crisis had been confined to non-bank institutions affected by falling asset values in the property market.

It was also restricted largely to the state of Victoria, where the investment climate has been clouded by the financial problems of the state government.

Concern is now growing, however, that the climate of uncertainty could spread, and that if confidence continues to fail, financial institutions in other states could be affected.

The rot started in April, when the Victorian Corporate Affairs Commission put an administrator into the Estate Mortgage property trust group after discovering that more than 60 per cent of its A$920m (£418m) loan portfolio was non-performing.

Three weeks ago, there were angry street demonstrations in Melbourne after A$1.3bn of depositors' funds was locked up by the collapse of the Pyramid, Geelong and Countrywide building societies, subsidiaries of the privately-owned Farrow Corporation.

The Reserve Bank prevented a widespread collapse of confidence on that occasion by guaranteeing the deposits of all other Victorian building societies, but only massive public pressure forced the state government to guarantee that Farrow Corporation depositors would eventually be repaid.

Concern among investors peaked on Monday, when, in addition to the run on the Bank of Melbourne, the IOOF friendly society group froze A$530m in three funds belonging to the weaker OST society, which it took over last week after OST's liquidity problems prevented its continued independent operation.

Meanwhile, the National Companies and Securities Commission (NCSC) issued revised guidelines allowing unlisted property trusts – which control assets worth A$10bn – to suspend redemptions of units for up to six months to avoid having to sell assets to meet short-term liquidity demands.

The Aust-Wide group yesterday became the first property trust to take advantage of this provision by suspending redemptions for 60 days from its eight funds, which manage A$850m.

With the exception of the Bank of Melbourne, which appears to have suffered because it was once a building society, the common factor between the institutions which have run into problems has been exposure to the falling property market.

Mr Oliver Irving, national director of Jones Lang Wootton, the Sydney-based auctioneers and valuers, says the market has fallen further than during the recession of 1982/83, especially if the top end of the market is excluded.

However, analysts say there are also question marks over the management of some of the institutions which have run into trouble, and over the supervisory regimes to which they are subject.

All licensed trading banks are regulated by the Reserve Bank, which enforces international standards of capital adequacy, and can guarantee depositors' funds, if necessary by forcing a weakened bank to merge with a stronger competitor. But the collapse of the Farrow Corporation illustrated the inadequacy of controls on building societies, which are regulated by state governments, which may not have the expertise to do the job. All the states are now reviewing their regulations, and Victoria has announced that prudential requirements will be increased, possibly by forcing building societies to become banks. Unlisted property trusts are nominally regulated by the NCSC, but are also governed by the legal contract between unit holders and trust management companies, which in many cases gives unit holders an absolute right to redemption in spite of the commission's view that redemptions can be suspended. That legal point is shortly to be tested in Victoria. Underlying the specific regulatory and property market problems is a slowdown in the Australian economy caused by a long period of high real interest rates imposed to squeeze Australia's A$20bn a year current account deficit. With 90-day bank bills standing at 15 per cent – compared to consumer price inflation at just over 7 per cent – most observers think there are likely to be further collapses over the next six to 12 months, even if interest rates begin to ease, as expected, over the next few months. "There are a lot of people out there who are really hurting," says Mr Don Blyth, executive director of the Trustee Companies' Association, which represents the trustees of investment trusts. "I don't see much easing of that in the short term, and I think the next six to 12 months are likely to be a very difficult period for us. It really depends on how people react to the things that are going on at the moment." However, any further problems are likely to be restricted to property-related institutions, and are unlikely to damage Australia's major banks and financial institutions, which may even benefit if investors seek a more secure home for their funds. "I don't think there is any chance of this developing into a more widespread crisis," says Mr Mark Dickens, acting executive director of the NCSC.

Seoul opposition MPs to resign

By John Ridding in Seoul

ALL opposition members of the South Korean national assembly will resign next week in an attempt to force new elections in protest at the rushed passage of controversial legislation, leaders of the two opposition parties announced yesterday.

Mr Kim Dae Jung, leader of the main opposition Party for Peace and Democracy and Mr Lee Ki Taek, leader of the Democratic Party, also called for mass rallies and protests.

Shortly after the announcement, a South Korean official was reported as saying that North Korea had decided to postpone scheduled parliamentary talks with South Korea, blaming confrontation between government and opposition lawmakers in the south. The proposed talks were in addition to negotiations aimed at arranging an unprecedented meeting between the prime ministers of the two countries. The South Korean official said that he did not expect the planned meeting, scheduled for September, to be affected.

The decision by the two opposition parties, which are engaged in negotiations to merge, was made after President Roh Tae Woo's Democratic Liberal Party rammed through parliament a series of controversial bills in the face of angry protests from the opposition last week. The bills included plans for the restructuring of South Korea's military leadership and the reorganisation of the broadcast media.

Despite yesterday's announcement it is unclear whether the resignations will be accepted. According to article 128 of the national assembly Law, either the speaker or a plenary session of the assembly must accept the resignation of its members. The national assembly has now closed its session and does not reopen until September. Mr Kim Young Sam, the executive chairman of the DLP, has said the speaker should not accept the resignations.

Mr Kim Young Sam, who joined the DLP when it was formed through a merger of two opposition parties and the former ruling party earlier this year, said that the DLP, which holds more than two-thirds of the 299 seats in the assembly, would not hold elections before the scheduled vote in 1992.

Mr Kim Dae Jung told yesterday's party meeting that all 70 PPD lawmakers should resign to pave the way for a new legislature.

Liberian rebel leader Charles Taylor (above), whose forces have laid siege to Monrovia for two weeks in a bid to overthrow President Samuel Doe, is facing a breakdown of discipline among his men, Reuter reports from Monrovia.

Amid reports of summary executions by rebels of members of President Doe's Krahn tribe and their allies, the Mandingos, observers said civilians resisting demands for food, lodging or transport were being shot on the spot.

One man said: "It was sheer anarchy. Every house is opened and looted of cars and food. If you resist, they kill you. I believe Taylor is personally trying to prevent the looting and killing, but discipline is rapidly breaking down."

Inside Monrovia, power, water and food supplies have been cut off. Army units have set up roadblocks demanding food from civilians. Most ministers and army chiefs have fled, and refugees are streaming out along the one road still open in search of food.

Diplomats rate the military situation hopeless for Doe and say the only issue is when he will leave the city. A US task force with 2,000 marines is cruising offshore awaiting orders.

Hong Kong restricts export of ivory

By John Elliott in Hong Kong

HONG KONG last night brought in restrictions on the export of ivory to try to reduce the risk of the colony's stocks of 472 tonnes being sold on world markets.

Export of the ivory could undermine the six-month-old ban on international ivory trading.

Hong Kong is an important carving and re-exporting centre, with no significant indigenous customer base. This means that its stocks play an major role in international trading, both legal and illegal.

From last night, Hong Kong is going further than the UK and the rest of Europe by saying that residents must have licences to export worked ivory as personal effects in loads over 5 kgs (roughly equivalent to one uncarved elephant's tusk). Tourists must have export licences for any amount, and export for commercial purposes is banned.

However, the colony has allocated only a special 12-man customs task force and government officials privately acknowledge that it will be hard to prevent smuggling.

The UK authorised Hong Kong to introduce a six-month moratorium from January on the international ban which was introduced by the Convention on International Trade in Endangered Species.

This was intended to give Hong Kong's industry, consisting of several hundred companies which last year employed 3,000 people including 1,200 carvers (now down to about 600), time to dispose of its stocks.

But little has been done and the stocks have only been cut by about 2 tonnes from an official figure six months ago of 474 tonnes. The total could be as much as 200 tonnes larger, according to experts, because last September the industry produced an original estimate of 670 tonnes.

● Hong Kong's inner cabinet, the executive council, last night approved a draft of a Bill of Rights which enshrines a United Nations-approved international covenant on civil and political rights. It will be published on Friday and is intended to become law by the end of the year.

But China has insisted that it should not be entrenched above all other laws. This means that it will be subservient to the Basic Law which will become Hong Kong's mini constitution when the colony reverts to China's sovereignty in 1997.

V.P. Singh strengthens his position

By K.K. Sharma in New Delhi

THE CRISIS in India's ruling Janata Dal blew over yesterday when Mr Om Prakash Chautala, son of Mr Devi Lal, deputy prime minister, resigned as chief minister of Haryana state and was replaced by Mr Hukum Singh who is a close supporter of the two.

Mr V.P. Singh, India's Prime Minister, refused to accept the resignation of all 13 ministers who had quit to protest against the re-election of Mr Chautala as chief minister just seven weeks after he had been forced to give up the post because of charges of election rigging and promoting violence.

Mr Singh has been through a traumatic experience and been widely attacked for precipitating the crisis by making a controversial deal with Mr Devi Lal.

Despite the battering he has received, however, his cabinet is intact and he has emerged somewhat stronger in the Janata Dal because of his refusal to accept Mr Devi Lal's demand that four senior ministers should be dismissed in return for Mr Chautala's resignation.

But Mr Devi Lal is not a person who forgets and forgives easily. Observers feel he is certain to create trouble for Mr Singh as soon an opportunity arises. For the present, however, his gamble has failed and he finds himself marginalised. The Janata Dal emerges from the crisis badly shaken from the dissensions and with loss of public confidence in its ability to govern.

Its two main supporters in parliament, the right-wing Hindu fundamentalist Bharatiya Janata Party and the Marxists, have let it be known that they are disillusioned with the Janata Dal.

Although they will continue to support Mr Singh's government, they have sent strong messages to the Prime Minister that he should end the squabbling within the party and get on with tackling India's many problems.

Court quashes Sharon plan for Soviet Jews

By Hugh Carnegy in Jerusalem

ISRAEL'S Supreme Court yesterday overturned emergency building powers granted this month by the Government to Mr Ariel Sharon, the Housing Minister, to help overcome a severe housing shortage caused by the immigration of tens of thousands of Jews from the Soviet Union.

Although presented by Mr Sharon as an essential measure to speed up building programmes, the Supreme Court ruled in favour of a petition by Mr Avraham Poraz, a member of parliament, that the powers, approved by the cabinet on July 1, were unreasonable and illegal.

With housing starts lagging far behind anticipated needs and rents rising by as much as double in the space of a few months, the special measures allowed Mr Sharon, who has overall responsibility for immigration, to bypass building and land use approval procedures for three months. He intended in that time to import and assemble 3,000 prefabricated units in up to nine locations around the country.

The decision drew strong criticism, however, ranging from concern that the plans would simply create instant immigrant slums to objections to such broad powers being given to Mr Sharon, whose record as a minister includes leading Israel into the disastrous invasion of Lebanon in 1982.

The court ruling has abruptly clipped his wings.

But it was not clear how great an effect it would have on his building plans. Since he was granted the emergency powers, new legislation has been enacted streamlining building approval procedures. His intention to import, over time, some 40,000 prefabs did not appear to be affected.

However, the ruling underlined the confusion and atmosphere of mounting crisis over the housing shortage.

The Government, which is struggling to cope with the prospect of perhaps as many as 250,000 Soviet immigrants over the next 12 months, has in the past few weeks found itself under increasing pressure from existing poor communities angered by rising rents and the subsidies given to new immigrants.

PLO deploys guerrillas to halt Shia battles in south Lebanon

HUNDREDS of guerrillas of the Palestine Liberation Organisation were deployed yesterday to halt Shia Moslem militia battles on the edge of Israel's so-called security zone in south Lebanon, Reuter reports from Nabatiyeh.

Security sources said earlier that any PLO deployment so near the border zone could provoke Israeli raids to dislodge them.

Witnesses said some 400 PLO fighters took positions in a string of villages in the Iqlim al-Toufah district to stop fighting between the Iranian-backed Hizbollah and the pro-Syrian Amal militia. Palestinian sources said Mr Yassir Arafat, the PLO chairman, had contacted his headquarters in Lebanon at dawn and ordered the move.

The pro-Iranian Hizbollah and Syrian-backed Amal battled for 12 hours for the village of Jarjouh on Monday, killing 34 people and wounding more than 70 in some of the heaviest fighting between Shia rivals this year. The battles spilled over to 11 nearby villages.

Arab states discuss the formation of joint bank

CENTRAL bank governors from the four-nation Arab Co-operation Council met in Amman yesterday to discuss the prospect of setting up a joint bank and bringing their divergent monetary policies closer, Reuter reports from Amman.

It was the bankers' first meeting since the February 1989 formation of the mainly economic bloc, which groups Jordan, Iraq, Yemen and Egypt and comes a day ahead of a meeting of ACC trade ministers in Amman for talks on a multi-million dollar barter trade accord.

The proposed bank's main goals would be to settle trade financing arrangements, boost investments and finance trade deals.

Mr Mohammed Said al-Nabulsi, Jordan's central bank governor, hinted at the opening session that settling inter-trade payments and financing trade exchanges were among the ACC's main goals.

"We have to realise a clear framework that serves the goal of settling these payments among the four," he said.

Mr Nabulsi said one of the main questions confronting ACC states was a formula for monetary co-operation and integration within the bloc. Such co-operation was vital to encourage the movement of goods and services and to improve the use of resources among the four nations.

The bloc embraces a total population of above 80m people, a combined gross national product of more than $100bn (£55.9bn), exports of about $15bn and imports of $30bn. It has also sought co-operation with the other two regional blocs, the Gulf Co-operation Council and the Maghreb Union.

Cambodian peace talks deadlocked

THE latest attempt to make progress towards a settlement in Cambodia yesterday looked set to end without any significant breakthrough, William Dawkins writes from Paris.

The five members of the UN Security Council were due to end two days of talks in Paris last night, but officials held out little hope for an accord. This means there is no end in sight to the 11-year-long civil war, in which the Khmer Rouge, armed by China, is fighting the regime of Mr Hun Sen, who is backed by Vietnam.

The efforts were complicated by the refusal of the four Cambodian factions to attend the talks because of a row over the form of their participation. The last attempt at a solution, in Tokyo in June, broke down when the Khmer Rouge walked out. France has warned that it may refuse to convene another peace attempt.

Ban on opposition lifted for Zambian referendum

By Mike Hall in Lusaka

ZAMBIA has lifted its 17-year ban on organised opposition groups, enabling them to campaign in October's referendum on whether to reintroduce multi-party democracy.

The chairman of the referendum commission, Deputy Chief Justice Mathew Ngulube, said campaigners would have freedom to organise and equal access to the state-controlled media. Public meetings would be supervised by the commission's officers and police would attend. Multi-party advocates could campaign through the media at their own cost, although the commission would also stage media events.

Mr Ngulube said voters would be asked in a secret ballot: "Do you support the re-introduction of a multi-party system." The symbol for "Yes" would be a hand, for "No", a foot. Zambians could campaign as individuals or as part of organisations.

There was no immediate reaction from pro-democracy campaigners, who include the well-organised trade union congress, businessmen, ruling party dissidents, students and the Church. Diplomats said the commission's rules seemed fair.

The announcement lifts the ban on organised opposition to President Kenneth Kaunda's United National Independence Party, Unip. President Kaunda has said multi-party rule would promote tribal conflicts among Zambia's 73 ethnic groups.

Diplomats say publication of the rules will help reduce tension in Zambia, where discontent among city dwellers is still simmering. A doubling of the maize price in June led to the worst riots since independence in 1964. At least 26 people died.

Old mistakes still fuel Tunisia's Islamic fundamentalism

Reforms are failing to satisfy amid economic inequalities and limits on freedom, write **Francis Ghilès** and **Victor Mallet**

THE Islamic fundamentalists' victory in Algerian local elections last month was unwelcome news for Mr Zine El Abidine Ben Ali, president of neighbouring Tunisia.

The Algerian decision to accept the Islamic Salvation Front (FIS) as a political party – and the subsequent FIS win in the fairest poll in North Africa's modern history – challenge Mr Ben Ali's own policy of imposing gradual political and economic reform from the top.

Mr Ben Ali took over from an ailing Mr Habib Bourguiba in November 1987 to forestall the hanging of Islamic activists arrested during violent confrontations with the police. By using the constitutional device of having senior Tunisian doctors declare Mr Bourguiba incapable of continuing as president, Mr Ben Ali reversed a decision which could have led to unrest.

In the months after the takeover, Mr Ben Ali's policy of attempting to co-opt the Nahda (Renaissance) group, previously known as the Mouvement de la Tendance Islamique (MTI), appeared to pay off.

A fundamentalist representative even signed the National Pact, a sort of code of good democratic behaviour to which the Tunisian ruling party and the small secular opposition parties also subscribed.

The authorities yielded ground on issues of particular concern to Islamic purists. The Zitouna, the ancient Koranic university in Tunis closed by Mr Bourguiba, has been revived and television programmes are now interrupted for the regular call to prayer by the *muezzin*.

Mr Ben Ali, however, remains adamant in his refusal to recognise the Nahda as a political party or rescind the family code, which gives Tunisian women more rights than they enjoy in most other Moslem countries.

The code is one of the centrepieces of Mr Bourguiba's post-independence policy of recasting Tunisian society in a more modern mould, and the influential middle classes dread the possibility of any concession on this front by his successor; it would, they believe, be the thin end of the Islamic wedge.

Mr Ali Laridh, deputy to the self-exiled Nahda leader Mr Rachid Ghannouchi, says the rise of the Islamic tendency in Tunisia since the 1960s is the result of the failure of Mr Bourguiba's economic and social policies to match popular expectations, his overzealous attempts to modernise at the expense of Tunisia's Arab and Moslem heritage, and the closure of the Zitouna and the repression of its adherents.

Mr Laridh is an engineer who was twice sentenced to death and eventually pardoned by Mr Ben Ali after 13 months in prison, but he is far from satisfied with the pace of political reform in Tunisia, especially after the success of the FIS in Algeria.

Increasing unemployment, the display of wealth by the new rich, the fact that the symbols of western consumer society are out of reach for most Tunisians in spite of a reasonably well-managed economy, and the absence of any real freedom to criticise the Government in the media all provide fertile ground for the development of an egalitarian and austere political creed.

"Minimum spending, minimum consumption, maximum work," is Mr Laridh's summary of Nahda's policies for a future Tunisia.

Out of power, Nahda leaders are nothing if not pragmatic. They changed their name to Nahda from MTI last year – dropping the Islamic label – in a vain attempt to persuade the Government to let them become an ordinary political party. They claim to be more moderate than their Algerian counterparts, they profess a passionate commitment to democratic ideals, and they shrug away suggestions that they would rigidly apply Islamic law if given the chance to govern.

The Koran "leaves you plenty of room for manoeuvre", according to Mr Hamadi Jebali, editor of the now-suspended Nahda newspaper Al-Fajr (Dawn). "We have never said we are Islam; what we have said is that we are a political party with Islamic inspiration based on Arab-Moslem thinking."

The moderation shown by Mr Jebali and Mr Laridh, however, is not always shared by Mr Ghannouchi. The closure of Al-Fajr was prompted by an article he wrote vehemently attacking the Tunisian leadership.

Criticisms voiced by Nahda leaders about the failings of Tunisia's quasi-democracy are widely shared. Few in the country really believe official declarations that three-quarters of the electorate cast their votes in the June local elections – they were boycotted by all the opposition parties and some voters had their names crossed off the register because they were known to oppose the ruling Rassemblement Constitutionnel Démocratique (RCD).

Mr Jebali describes the Government's attempts to suppress the growth of the Nahda movement as "the politics of the ostrich". The RCD's only comfort is that it retains considerably more legitimacy than the ruling Front de Libération National next door in Algeria.

Japan's quality of life way behind west

By Stefan Wagstyl in Tokyo

JAPAN'S biggest challenge in the 1990s will be improving the quality of life of ordinary people, says a government White Paper on construction published yesterday.

Japan's standard of living is improving rapidly but is still well behind the US and leading European countries, says the report.

The authors constructed a quality of life index which takes into account average size of housing, commuting times and consumer spending as well as income. On this basis the quality of life in Japan is only 54.5 per cent of that of the US.

The report says the biggest obstacle to improving housing standards is the shortage of labour in the building industry.

US trade deficit widens despite buoyant exports

By Anthony Harris in Washington

THE US trade deficit widened to $7.7bn (£4.3bn) in May, from a revised $7.3bn in April, while the Federal Reserve index of real industrial output in June rose by an unexpectedly strong 0.4 per cent. There was a 0.6 per cent increase in May.

May's higher imports and improved manufacturing output in June resulted partly from a revival of the US car trade.

The wider trade deficit conceals a strong export performance. Shipments have risen 6 per cent, seasonally adjusted, in the last two months. For the first five months of 1990 they are up 8.3 per cent on the corresponding 1989 period.

Growth for the year is led by capital goods, which account for nearly 40 per cent of total shipments and which have risen 12.5 per cent.

However, the fastest percentage growth comes from consumer goods, also a strong performer in 1989, which are up nearly 20 per cent on the year and now account for 10.7 per cent of total exports. Last year's figure was 9.7 per cent.

Imports rose 2.9 per cent in May, fell 5.5 per cent in April, and are up only 3.4 per cent in the first five months of the year. Car imports rose 8.6 per cent from the low April figure to $7.45bn, but are down 6 per cent on the first five months of the year.

The other main influence on the trade deficit was a sharp rebound in oil imports, responding to softer international prices. May shipments rose 15.2 per cent in value, and 22.6 per cent in volume.

The $7.7bn May deficit was in line with expectations. For the first five months of the year the deficit has totalled $40.7bn, an improvement of $6.7bn on 1989.

Three quarters of the June industrial output increase was accounted for by a 2.1 per cent gain in production of consumer durables, led by car components, and in utilities, where electricity demand was boosted by a heatwave.

Business equipment also performed strongly, with a monthly rise of 0.9 per cent against 1.6 per cent in May. The weakest sectors were mining, oil and gas.

The Federal Reserve index does not track the construction industry, where activity is now weakening sharply.

Judge aims to speed up asbestos claims

By Martin Dickson in New York

A US federal judge is seeking to have the thousands of asbestos-related personal injury claims consolidated into a single case, speeding up court proceedings and cutting legal costs.

US District Judge Thomas Lambros of Cleveland said asbestos litigation met the criteria for consolidation into a "class action" as it had become apparent that there were insufficient funds among defendants to pay all meritorious claims and the costs associated with processing claims through the courts.

A class action involves trying similar claims together in one case, with a few named plaintiffs taking the role of the wider body of claimants. Damages are fixed under a general formula arising from the case.

The system cuts down on legal fees and allows compensation to be shared out more evenly than on a first come, first served basis.

Cases concerning cancer and asbestos exposure form the largest number of personal injury cases facing federal and state courts. Judges have grown increasingly frustrated with them.

Judge Lambros' district has the largest number of claims in the federal system, with more than 7,000 cases involving at least 13,000 individuals.

Many of the claims are against Manville Trust, which was set up in 1988 to handle cases against Manville, the former asbestos manufacturer. However, it has emerged in recent months that the trust is short of funds and will be unable to compensate many victims until well into the next century.

Two weeks ago another US district judge, Jack Weinstein of Brooklyn, New York, who is hearing one group of Manville cases, urged lawyers involved in asbestos litigation to consider a consolidation. He stopped short of ordering it himself.

Judge Lambros' action was seen by some lawyers as a pre-emptive move to prevent Judge Weinstein consolidating the cases under himself.

Colombia power feeds debt crisis

Sarita Kendall on an overblown sector alarming foreign creditors

IN COLOMBIA's consistent record of sound economic management and planning throughout the debt crisis, the story of electricity industry has proved an exception.

Now the accumulated problems of power generation are beginning to affect the whole economy, and issues such as tariffs are snarling relations with international creditors.

Projects to ensure future energy supplies are also in jeopardy as multi-lateral lending agencies hold back and the electricity companies plunge further into debt.

Investments in this sector account for more than a quarter of Colombia's $16bn foreign debt and everyone agrees massive organisational, as well as financial, restructuring is needed.

Financial problems go back 10 years, when several large hydro-electric schemes were being built. By the time the growth in domestic demand began to drop, Colombia was already saddled with an overblown expansion plan. Projects slowed, and companies had to begin debt payments before construction finished.

El Guavio, a 1,000 MW scheme east of Bogotá, has been the biggest headache. Begun in 1981 at an estimated cost of $1.4bn, it was supposed to come into service in 1988. Now the cost has almost doubled, El Guavio may be ready by the end of 1992.

The timing has become critical and further delays would lead to electricity rationing. Apart from the fact that it will produce some of the most expensive electricity in Colombia, El Guavio pushed the Bogotá power company (EEEB) – originally a small but solid enterprise – deep into debt. Rapid devaluation of the peso in the mid-1980s made it increasingly difficult to service its dollar loans, so the company cut investments in other ares. Now the Government is scrambling to cover the final stage of El Guavio, and to restore financial order in the EEEB.

A 1987-1990 adjustment plan for the electricity sector rapidly became dated, and the Government had to take on more and more financial responsibility. "It's a very complex sector, with so much weight in the economy," said Mr Luis Bernardo Florez, head of the National Planning Department. "It has improved, though there's still a long way to go, and a lot of resources are needed."

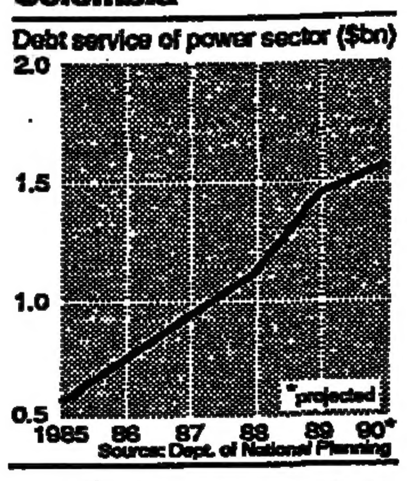
The multi-lateral lending agencies – especially the World Bank – have played an important part in the development of Colombia's electricity supply. The World Bank is also the country's main creditor, with nearly a quarter of its public foreign debt, and, as the comptroller-general's report puts it, "a significant capacity for influencing and conditioning the macro-economic policies of this and the next government".

While the Government has taken great pains to deny such influence, in particular in connection with Colombia's recent decision to reduce trade barriers and foster international competition, the World Bank wants to carry out its own evaluation of the economy. "They are no longer giving the benefit of the doubt to Colombia," said one observer.

The question of devaluation has arisen because of a $400m public sector reform loan, half to come from the World Bank and half from the Inter-American Development Bank. A rapid disbursement of this loan would allow Colombia to recycle obligations to the World Bank and avoid a net outflow of capital, considered a political as well as an economic embarrassment. Amortisation payments to the Bank will reach about $450m this year, and more than $470m in 1991.

Colombia

Debt service of power sector ($bn)



Source: Dept. of National Planning

Colombia not only needs more soft loans to fund future programmes, but the World Bank's opinion is also likely to affect negotiations with the commercial banks for another rollover worth $152m. One of the Bank's criticisms – that Colombia was moving too slowly towards freer trade policies – may become less relevant.

According to Maria Mercedes Cuellar, Minister of Economic Development, the process seems to be going well, though it is still early to judge.

"It has been accepted here, which is positive, because there were worries about opening up. In Colombia it is traditional to do things gradually – now it will be possible to accelerate the process," said the minister. Recent comments on exchange controls by President-elect César Gaviria Trujillo, who takes office on August 6, suggest he may speed up liberalisation policies, especially as other Latin American countries are now jumping ahead of Colombia.

The World Bank has also been pressing for higher electricity tariffs since the power companies need extra income to service their debt, to match foreign funds in new projects and to improve transmission and distribution. The power system as a whole loses 23 per cent of its energy – more than any country in South America – because of technical faults and clandestine tapping.

While the Government plans to continue subsidising low income groups, tariffs vary enormously and there is room for increases. One estimate suggests that cheap power is costing the state about $400m a year.

"We have to advance, because high income groups are also being subsidised, and this must be changed," said Mr Luis Bernardo Florez. "There are municipal companies, departmental companies, and national companies to co-ordinate," he said. The quibbles about tariff policy and other reforms have held up the final $75m of a $300m World Bank loan for investment in the power sector.

The differences between the Government and the World Bank also affect expansion plans for the 1990s which would raise generating capacity from 8,371 MW to 12,729 MW in the year 2000.

Instead of starting up new hydro-electric projects immediately, the Government is going ahead with transmission links between Venezuela and Colombia so that electricity can be imported. Only 10 years ago, Colombia was considering exporting power to its neighbours.

Uruguay seeks $1bn debt buy-back

By Stephen Fidler

URUGUAY wants to buy back $1bn (£550m) of its debt at less than half its face value.

The country's commercial bank lenders – numbering about 60 – have agreed to waivers needed to allow the purchase to proceed.

But bankers said the buy-back price Uruguay was proposing – at 47 cents on the dollar, slightly below the current secondary market price – might not be high enough to encourage many banks to sell.

A buy-back of $1bn would reduce Uruguay's medium-term bank debt by 60 per cent. It will be financed largely out of Uruguay's own reserves, although the Government has agreed a $150m standby arrangement with the International Monetary Fund.

Banks are also said to oppose a Uruguayan plan to subject debt remaining after the buy-back to a Brady-style debt-reduction programme.

Such a programme, which would involve the exchange of concessionary bonds for the debt, would be neither economically necessary nor desirable, bankers said.

SEC rebuked over investment advisers

By Janet Bush in New York

THE General Accounting Office, the investigative arm of Congress, has delivered a sharp attack on the Securities and Exchange Commission's regulation of the US investment advice industry, contending the commission may do more harm than good.

The GAO called for a regular inspection of each new investment adviser, re-inspection of problem advisers and a programme to verify information which is submitted to the SEC.

The process must be improved, the GAO says, "to provide people who might use an adviser a minimum level of assurance" that he or she is operating within the law. The GAO adds that investors might be misled by the SEC's implied "seal of approval" in licensing advisers.

The SEC does not argue with the GAO's conclusions. It has acknowledged its oversight of financial planners and investment advisers is not as good as it could be because of insufficient staff and funds.

It says it has only enough staff to inspect each investment adviser once every 11 years, on average.

There are a number of initiatives in Congress and elsewhere aimed at increasing the SEC's funding.

The GAO, however, remains neutral on the question of who should bear the extra cost clearly needed to improve regulation of an industry which has exploded in size since the late 1970s.

The SEC estimates that there are 16,500 advisers, while the Consumer Federation of America believes there could be as many as 500,000 people purporting to give investment advice.

An SEC proposal last year that the investment advisory sector set up a self-regulator has not received much attention in Congress.

However, a bill has been tabled by Representative Rick Boucher of Virginia which would increase the amount of information which advisers must disclose and give investors the right to sue.

Hong Kong immigrants continue exodus to Canada

HONG KONG provided more than 10 per cent of Canada's immigrants in 1989, maintaining the colony's position for the third consecutive year as the chief source of new settlers, Bernard Simon writes from Toronto.

Figures published by Employment and Immigration Canada show 19,900 immigrants arrived from Hong Kong last year, out of a total 191,500. Last year's influx means Canada has absorbed more than 80,000 people from the British colony between 1984 and 1989.

Canada's political stability, economic prosperity and generally tolerant society have been strong magnets for Hong Kong residents looking for a new home before the handing over of the colony to China in 1997. Large sums of Hong Kong capital have also been invested in Canada in the past five years.

While generally welcomed, the influx has drawn criticism for driving up house prices, especially in Vancouver.

A substantial increase in immigration from Hong Kong is expected in 1990. An official said pressure on Canadian immigration staff had risen this year, with an increase in the application backlog.

A far-ranging review of Canada's immigration policy is due to be completed later this year.

But the focus of the inquiry has been on factors such as skills, age and conditions of entry, rather than on particular countries.

LEGAL NOTICES

THEME HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at- St Andrew's House, 20 St Andrew Street, London EC4 on 25 July 1990 at 1.00 pm for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 24 July 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date: 9 July 1990

C J HUGHES & M.J.LONDON
Joint Administrative Receivers
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note
Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

ALBINDENE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at- St Andrew's House, 20 St Andrew Street, London EC4 on 25 July 1990 at 2.00 pm for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 24 July 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

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Date: 9 July 1990

C J HUGHES & J F POWELL
Joint Administrative Receivers
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note
Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

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Consider, next, the harmony between the car's suspension and the steel, foam-rubber and natural-fibre springing of the seat cushions. This is an interaction that Mercedes-Benz do not take for granted because, in any car, if the rhythms of your seat springing do not complement the suspension of the car itself, the serenity of your ride may be compromised.

The muscularity, quietness and smoothness of the powertrain are other rewards offered by the S-class experience. And being so potent a machine and, above all, a Mercedes, you're naturally cocooned in even more safety technology than silence and power.

Exercise Your Options

You can anticipate the pleasures of familiarising yourself with the practical and luxury features that are standard equipment on the flagship Mercedes. But don't deny yourself the added pleasure of meandering through the options list in search of particular refinements that will stamp an individual imprint on your car. (A refrigerator? An electric roller blind?)

The Mercedes-Benz S-class dispenses many rewards, but the quality of the driving environment is probably the most memorable. Once you have relaxed into an interior of such distinction, you're unlikely to be satisfied with anything more commonplace.

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UK NEWS

Evidence concluded in Guinness trial

By Raymond Hughes, Law Courts Correspondent

A MILESTONE was reached yesterday in the Guinness trial, now in its sixth month, when the evidence was completed.

At the end of the defence case of Mr Ernest Saunders, the former Guinness chairman and chief executive, the jury heard that his three co-accused would not be taking the witness stand.

Mr Michael Sherrard, QC, for Mr Gerald Ronson, chairman of the Heron group, said: "Mr Ronson relies on the evidence he gave on oath to the Department of Trade inspectors as long as three years ago and accordingly does not propose to give evidence or call any witnesses."

Mr Colin Nicholls, QC, for Mr Anthony Parnes, a City stockbroker, said: "On behalf of Mr Parnes I call no further evidence."

Mr Robert Harman, QC, for Sir Jack Lyons, the financier, said he would not be calling any evidence.

Lengthy transcripts of interviews by all four accused men with Department of Trade and Industry inspectors appointed in December 1986, to investigate Guinness, were read to the jury earlier in the trial as part of the prosecution case.

Mr Justice Henry released the jury until next Wednesday when final speeches by the prosecution and defence are scheduled to begin. The trial is thought likely to end around the middle of next month.

The four defendants deny charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers.

Yesterday was the 90th day of the trial and the 78th day of hearings before the jury. The defence opened on June 5 when Mr Saunders went to the witness stand. He gave evidence on 17 days, finally leaving the stand on July 5, after which the court heard nine witnesses on his behalf.

Earlier yesterday Mr Peter Lakin, a partner in Pannone Blackburn, Mr Saunders' solicitors, had given evidence about information he obtained from three Swiss professional men he had interviewed in Switzerland but who had refused to come to England to testify.

They were Mr Robert Heuberger, president of a property company, Mr Viktor Ender, a manager at Union Bank of Switzerland at Zurich, and Mr Olivier Bourgeois, a Lausanne lawyer. Mr Lakin said he had sent Mr Heuberger and Mr Bourgeois draft statements based on his interview notes.

Neither was prepared to sign the statements but Mr Heuberger had corrected inaccuracies in his and Mr Bourgeois had confirmed that his statement was accurate. Mr Ender had answered questions before a Swiss judge arising from Mr Saunders' cross-examination by the prosecution about £3m temporarily deposited in Mr Saunders' account at UBS by Mr Tom Ward, a US lawyer and Guinness non-executive director, Mr Lakin said.

Conran sells shares in Storehouse

By John Thornhill

SIR Terence Conran, the design guru and former chairman of the Storehouse retailing group, has sold most of his shareholding in the company realising over £23m.

Sir Terence said the decision to sell nearly 20m shares at a price of 118½p apiece was made for personal financial reasons and did not reflect on the trading performance of Storehouse. He is retaining 9m shares in the company – 2.2 per cent – and remains as a non-executive director.

"I am obviously very sad to be selling this stake. There is no disillusionment with Storehouse, it is just I have quite a number of other investments and various other things I want to do," he said yesterday.

Last night, Storehouse's shares closed down 3p at 123p. The shares once traded at three times this level giving Sir Terence's total shareholding a paper value of around £100m. Sir Terence also owns the Conran Shop, the design store which he bought back from Storehouse for £3.52m this May. And he is joint president of Roux Seguela Cayzac & Goudard (RSCG), the French communications group which bought the Conran Design Group from Storehouse.

RMC subsidiary took part in secret cartel and market deals

World's largest concrete group admits price fixing

By Andrew Taylor, Construction Correspondent

RMC Group, the world's largest concrete company, has admitted that one of its subsidiaries has taken part in secret price fixing and market sharing agreements. The agreements, it says, involved most of the UK's biggest ready mixed concrete suppliers.

The companies could face heavy fines and directors prison sentences of up to two years if it is proved they have broken court undertakings given in the late 1970s that they would not conclude restrictive agreements.

The undertakings were given after a large number of price fixing cartels involving large numbers of ready mix concrete companies were uncovered in the 1970s.

Sir Gordon Borrie, director general of fair trading, said yesterday he would consider bringing fresh court actions, including possibly for contempt, when investigations into the claims by RMC were completed.

"I am particularly concerned about the number of construction industry cartels which my office is uncovering. The documents put on the register [by RMC] suggest my concern is well founded," Sir Gordon said.

"Cartels are pernicious arrangements which invariable lead to higher prices for the goods or services involved. Those engaged in this sort of behaviour damaged not only their customers but also themselves by restricting efficiency and innovation." He said memoranda submitted by Ready Mixed Concrete (Transite), a wholly-owned subsidiary of RMC, had admitted operating 11 unlawful price fixing and market sharing agreements between 1977 and 1988 in Northamptonshire, Cambridgeshire, Bedfordshire, Hertfordshire, Essex and parts of north London.

Other companies named in the memoranda included ARC (a subsidiary of the Hanson Group), Tarmac, Steetley, Pioneer Concrete (part of a large Australian group of the same name), Redland, Hartigan (50 per cent owned by Redland), Mixconcrete, Warecrete, Brazier Concrete and Willment Ready Mix Concrete.

Of these RMC, ARC, Redland, Pioneer, Hartigan, Willment and Mixconcrete are bound by earlier court orders not to enter price fixing agreements. The Restrictive Practices Court cannot impose penalties unless a company is already covered by a court order.

Sir Gordon said companies which had been damaged by price cartels could, however, seek damages through the civil courts. He said some of the companies named by RMC had admitted participating in market sharing agreements but others had denied the allegations.

Last month RMC, Pioneer and Hartigan admitted to the Restrictive Practices Court that they had operated a price fixing ring in parts of Oxfordshire during 1983 and 1984 contrary to previous court orders. A fourth company, Smiths Concrete, 49 per cent owned by ARC, denied contempt of court. Judgment has still to be delivered.

RMC said yesterday it uncovered market fixing agreements at Ready Mixed Concrete (Transite) after an inquiry from the Office of Fair Trading. It said staff had been given regular and unambiguous guidance that such agreements were against group policy.

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BRITAIN IN BRIEF

Plutonium production to escalate

New nuclear reprocessing plants in the UK and France will produce large amounts of plutonium, the material used for nuclear warheads, in the 1990s, academic experts claim in an article to be published tomorrow.

The article, to be published in International Affairs, the journal of the Royal Institute of International Affairs, calculates that about 200 tonnes of plutonium will be extracted from the reprocessing of spent nuclear fuel in France and Europe.

Much of the plutonium will derive from the reprocessing of spent Japanese nuclear fuel.

London building for Sampo

Finnish insurance company Vakuutusosakeyhtio Sampo said it and its international operations subsidiary, Sampo International, acquired an eight-storey office building in the City of London for £23m.

Sampo said it would occupy two floors of the building and that it had leased the rest to a British finance holding company for 25 years but did not name the company.

Sampo said it aimed to increase its income and reduce investment risk by investing abroad.

Local authority clampdown

The government is to clamp down on local authorities who abuse the planning system by making builders provide unorthodox "free extras" for the local community before they will approve a new development.

In one case, a council wanted the developer to make a contribution to trades union funds. Another was asked to contribute towards job training for local people.

The Government intends to legislate to prevent such abuses in the next session of parliament.

MP criticises EC inspectors

The power of European Community inspectors to enter business premises was attacked as a "nasty undermining of personal rights," by a Conservative MP.

Mr Teddy Taylor, MP for Southend East and prominent Euro-sceptic, said EC inspectors had greater powers than those operating under UK law. He was commenting on a written answer from Mr Douglas Hogg, industry minister.

New businesses on the increase

New business start-ups measured by VAT registration data, leaped to a record figure of 1,700 a week in 1989 compared with 1,250 a week in 1988 and just 800 a week the year before.

The numbers increased in all regions of the UK, though there was a bias towards the south of the country and the Midlands.

The buoyancy of new business starts was all the more significant in the light of the recent slow-down in the UK economic growth, said Mr Tim Eggar, small firms minister.

Company chief arrested

Mr Leonard Lee, managing director of Cleves Investments, a financial services concern, and non-executive chairman of Poddington, a company formed to promote the Poddington Peas children's characters, was arrested on suspicion of offences under the Financial Services Act.

The arrest was carried out in an operation between the International Stock Exchange's insider dealing group and the City of London police.

The stock exchange said Mr Lee was arrested on suspicion of offences under Section 47 of the Financial Services Act, which covers false markets and market manipulation.

Cleves acted as financial adviser to Poddington and also held a 3.5 per cent stake in the company.

SIB report protected

The Director of Public Prosecutions intervened to prevent publication of a report into the £42 million collapse of the Savings and Investment Bank on the Isle of Man in June 1982.

The report, compiled by bank inspectors, has already been distributed to the Isle of Man government and legal representatives of victims of the crash.

But despite calls for the 500-page document to be made available to the public, the island's high court today agreed to keep it under wraps at least until October.

Girobank cuts services

Girobank is to scale down its corporate lending operations following its takeover by the Alliance and Leicester Building Society. It will concentrate on expanding its core business of money transmission, where it already claims UK market leadership.

Loans and overdrafts will still be available for corporate customers. The change means withdrawal from general competition with the high street clearing banks to lend money to business, a field Girobank entered only five years ago, when it decided to try and match the high street clearers service for service.

VAT ruling rejected

THE Court of Appeal rejected an appeal by the Commissioners of Customs and Excise against a ruling that airlines need not pay VAT in respect of in-flight catering on internal UK flights.

Lord Justice Parker said the Customs claim would have "absurd" effects: business passengers would be entitled to demand tax invoices for every drink, cup of coffee or meal they received as part of their in-flight services.

If the claim succeeded, British Airways would have had to pay an estimated £1.25m a year extra VAT.

Mr Peter Brooke, the Northern Ireland Secretary (left), yesterday welcomed Mr Gerry Collins, the Irish foreign minister, to critical talks in Belfast aimed at saving an initiative to break the political deadlock in Ulster.

Attempts by the London and Dublin governments to find an agreed formula to start negotiations between Unionists and Nationalists dominated a meeting of the Anglo-Irish Conference at Stormont. Officials said the discussions were the most vital yet in the bid to get all-party talks on the province's future off the ground. Mr Brooke needs Dublin approval before he can move to the next stage of a process which could lead to a major breakthrough in the political logjam.

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UK NEWS

Channel tunnel companies face safety prosecution

By Diane Summers, Labour Staff

CONTRACTORS and equipment suppliers on the British end of the Channel tunnel project linking Britain and France are to face prosecution by the Health and Safety Executive as a result of the death of a workman last year.

Although it will be the fourth safety case to brought by the HSE against the tunnel contractors, it is the first time that a prosecution has been directly linked to one of the six deaths there have been so far on the project. It is also the first time that a tunnel equipment supplier has been taken to court.

The five contracting companies to be prosecuted form Translink Joint Venture, the British half of the Anglo-French consortium, Transmanche Link. They are: Balfour Beatty Construction, Costain Civil Engineering, Tarmac Construction, Taylor Woodrow and Wimpey Major Projects.

The suppliers of one of the two types of tunnel boring machines on the project, Robbins-Markham Joint Venture, are also being prosecuted. The constituent companies of the joint venture are The Robbins Co (UK) and Markham and Co.

Mr Garry Woodward, the third man to die in the tunnel, was killed in October 1989 as he was bolting together two sections of rail in the tunnel boring machine. The short circuit of a cable accidentally activated hydraulic gear which resulted in Mr Woodward being crushed.

It is likely that the HSE's case will centre on the circumstances that led to the short circuit and, in particular, modifications that have been made to the tunnel boring machinery as the project has progressed.

Separately, an independent safety inquiry carried out by the HSE's accident prevention advisory unit recently found weak and unco-ordinated safety management on the Channel tunnel project. It pointed to the risk of "catastrophic loss" of life unless safety controls were improved. The contractors said they would be acting swiftly on the unit's recommendations.

Swiss-Swedish group signs joint venture in N Ireland

By Maurice Samuelson

ASEA BROWN BOVERI, one of the world's leading power plant manufacturers, has entered the race to build Northern Ireland's first power station fuelled by the province's large untapped reserves of cheap lignite, or brown coal.

ABB, the Swiss-Swedish electro-technical engineering group, yesterday announced it had signed a joint venture to develop a lignite power station with Ballymoney Power Company, wholly owned by Meekatharra Minerals of Australia.

ABB is the latest of a number of international companies attracted by the prospect of generating cheap electricity in a province which currently carries the highest power bills in the United Kingdom.

Last July, Australia's Broken Hill Proprietary Company (BHP) formed a joint venture with Meekatharra to develop the Ballymoney mine. However, the partnership collapsed in May of this year and Meekatharra says it is suing BHP for alleged breach of agreement.

A succession of companies have also been involved in plans to develop Ulster's other large lignite reserves at Crumlin on Lough Neagh. BP Coal, which bought its stake in the Crumlin lignite from Burnett and Hallamshire, recently sold out to a consortium of Australia's MIM and Agipcoal of Italy.ABB would provide power station engineering and construction and arrange finance.

The scheme will require the approval of the Northern Ireland Government.

ICI to form new division in speciality chemicals

By Peter Marsh

IMPERIAL Chemical Industries, Britain's biggest manufacturing company, has set up a new division in high-value speciality chemicals, underlying its interest in moving the core of its business further away from low-price commodity materials.

The division, ICI Specialities, will have annual sales of about £1.5bn, roughly a 10th of ICI's turnover. It will employ 12,000 people and become one of nine broad business departments in the company. It will be based in Manchester although ICI had considered centring it in the US, in line with its policy of shifting more decision-making outside the UK.

Only about a quarter of ICI's sales are in Britain. The new division will derive 45 per cent of its revenues from Europe, 30 per cent from North America and 11 per cent from the Far East.

Mr Ronnie Hampel, ICI board member responsible for speciality chemicals, said that by grouping the areas under one new division, expansion in these chemicals would be encouraged. "We think they (the business areas) will have a good chance of flowering under entrepreneurial management," he said.

ICI Specialities will produce a number of low-volume, high-value materials which sell to limited markets and where competition is relatively low.

The substances include dyes and colourings, biodegradable plastics, construction chemicals, additives for paints, leather goods and adhesives and biotechnology-based products for industries such as foods and waste treatment. The ICI division will also make other specialised chemicals used as ingredients in pharmaceuticals and crop-protection compounds.

Speciality materials are growing in sales internationally by 5-15 per cent a year, a higher rate than for many bulk chemicals. And many other large chemicals companies have targeted speciality materials in their product strategies in recent years.

Authority seeks decision on airport capacity

By Paul Abrahams

THE Civil Aviation Authority report published yesterday considered 11 possible locations for an additional runway in the south-east of England. Its brief was to consider the options from the point of view of safety, airspace management and air traffic control. The political, environmental and other considerations are being left for Mr Cecil Parkinson, secretary of state for transport, to resolve.

The CAA ruled out three locations for the airport. These were a development of an airport at Bedford, the expansion of Lydd International Airport so it could handle 40 movements (take-offs and landings) an hour, and the creation of a short take-off and landing runway at Heathrow.

The remaining candidates for the new runway are: Heathrow (112 movements an hour), Gatwick (72 movements), Stansted (72 movements), Luton (40 movements), Bournemouth (20 movements), Bristol (20 movements), Manston (20 movements), and Lydd (20 movements). All of these are possible from the point of view of air traffic control, according to the report.

The CAA was not asked by the department of transport to rank the options, and has not taken to the opportunity to do so.

However, the report concluded that in terms of costs to passengers, the best choice would be a third runway to Heathrow, followed by a second one at Gatwick.

A second runway at Stansted would be substantially underused until after 2005, according to the report. But it also pointed out that Stansted's single runway will be full shortly after the year 2000 and that if no new runway capacity not provided, further traffic growth would prove impossible.

The CAA said that regional airports, outside the south-east such as Manchester and Birmingham, would continue to grow, probably at a faster rate than those in the London area. However, it stated that such growth would not provide an effective substitute for additional London area capacity.

A decision on the siting of the runway needs to be made as soon as possible, argued the CAA. This would allow the organisation to prepare the necessary air traffic control capacity. A speedy decision would also ensure that effective competition is not seriously hindered by a lack of runway capacity after the turn of the century.

The report said competition between airlines is already being hindered by lack of capacity and carriers are finding it increasingly difficult to enter the market.

In an open letter to Mr Parkinson, Sir Christopher Tugendhat, chairman of the CAA, said, "I cannot emphasise too strongly the importance I attach to early identification of the next site for major runway development."

This statement is despite the CAA's revision of UK passenger forecasts. The downturn in the British charter industry and the probable impact of the channel tunnel on passenger demand has forced the organisation to downgrade its forecasts by 10 per cent for the year 2000, and by 3 per cent for the year 2005. This brings its forecasts into line with those of BAA, formerly the British Airports Authority, which owns Heathrow, Gatwick and Stansted.

In addition, the CAA upgraded its estimates of the capacity of Heathrow and Gatwick by 30,000 and 5,000 movements respectively. The organisation says this is caused by an increased willingness of of airlines to operate at off-peak times.

Plans for new runway hit turbulence

Paul Abrahams on the threat to London's position as Europe's premier airport hub

NEW RUNWAYS are contentious. They have caused riots in Japan and created cabinet splits and led to ministerial resignations in Australia.

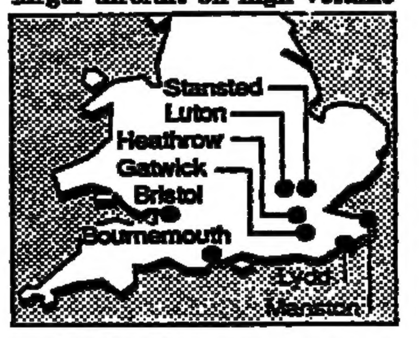
The problem is that the silent aircraft is yet to be invented. And although a substantial proportion of the UK population uses jets, nobody wants them to land or take-off near their homes or workplaces.

Mr Cecil Parkinson, the Transport Secretary, was therefore placed in an unenviable position when he was obliged to react to the CAA's report published yesterday which argued that a new runway would be needed in the south east of England shortly after the turn of the century.

On the one hand, Mr Parkinson will be coming under increasing pressure from the civil aviation lobby to make a speedy decision about the location of the runway. On the other, he will be reluctant to make a decision at a time of increasing environmental awareness.

There is a clear need for a new runway sometime in the next 15 years, according to the CAA. The number of passengers using UK airports is set to double sometime soon after the turn of the century. So too is the number wanting to travel from airports in the south-east. The CAA argues there is no point distorting traffic flows by encouraging people to travel from regional airports when they do not want to do so.

Moreover, the number of aircraft take-offs and landings (movements) is likely to grow faster than the number of passengers. Although some airlines have been operating larger aircraft on high volume routes, the CAA says there has been a tendency for them to set up feeder routes from regional airports using small jets and turboprops increasing the pressure on airport runway capacity.



The danger is that if a new runway is not built at a south-east airport, it will prove increasingly difficult for the London area to maintain its position as the premier airport hub in Europe. At stake is a significant share of the rapidly expanding European aviation market which according to one study is set to more than double from 419m passengers a year in 1988 to more than 1bn by 2008.

BAA, which runs the airports at Heathrow, Stansted and Gatwick, is coming under increasing competition from Aéroports de Paris – which operates Orly and Roissy/Charles de Gaulle airports – Amsterdam Airport Schipol and Flughafen Frankfurt Main, which owns Frankfurt airport.

The main challenger to Heathrow is Roissy/Charles de Gaulle airport. Mr Bernard Lathière, president of ADP, explains that his company has plans to build five runways at Roissy, as well as a high-speed train terminal. The company expects to handle 60m passengers by 1995 compared with 45m in 1989. The three London airports handled 62.8m passengers last year, of which more than 40m passed through Heathrow.

A decision about the runway's location may not be made for some time. BAA said the government would need to choose by 1995 if the new runway was to be ready by the year 2005.

All of the main sites are politically and environmentally sensitive. At Gatwick, West Sussex council signed an agreement with the British Airports Authority in 1979 that an additional runway would not be constructed for 40 years.

Parkinson: unenviable position

At Stansted, the planning inquiry for the airport forced the organisation to sell the land required for any additional runway, so that the question would not arise. The land has not yet been built on. At Heathrow, an extra runway would involve demolishing buildings.

Analysts believe BAA will not be too disappointed by the decision yesterday. The secretary of state for transport will have to consider not only environmental factors, but also communications, surface access and airport facilities when making his decision. The three large airports will have enormous advantages over other sites.

In addition, analysts point out that the BAA's most immediate priority is to increase terminal rather than runway capacity. Terminals, which can be used to generate large volumes of commercial activities such as duty and tax free shops, are far more profitable to BAA than the construction of runways. These are expensive and take a long time to make a return on capital. The company would probably prefer to build a fifth terminal at Heathrow or a second one at Stansted before it embarks on a runway construction project.

The timing of the runway's construction is crucial for BAA. The company is anxious to build the runway – likely to cost billions of pounds – as late as possible. If the investment comes too soon, the facilities will be under-utilised and offer a poor return.

At the moment, political and commercial interests suggest a decision on the site may be some way off. The interests of the passengers may prove secondary.

FT LAW REPORTS

Director repays secret commission

IN RE DEREK RANDALL ENTERPRISES LTD
Court of Appeal (Lord Justice Dillon, Lord Justice Parker and Lord Justice Stocker): July 13 1990

SECRET COMMISSION received by a director and applied to his own use is is repaid by him to the company in satisfaction of his misfeasance if, before the company goes into liquidation, it is transferred from a blocked account held by him as guarantor for the company's overdraft, to the company's overdrawn account with the same bank.

The Court of Appeal so held; Lord Justice Dillon dissenting, when dismissing an appeal by liquidators of Derek Randall Enterprises Ltd, from Mr Justice Millett's decision that it had been repaid secret commissions received by its managing director, Mr Derek Charles Randall.

LORD JUSTICE DILLON in a dissenting judgment said that the company went into creditors' voluntary liquidation on October 1 1985. Mr Randall had been its managing director and guiding hand.

The company, acting by its liquidator, claimed Mr Randall was guilty of misfeasance and breach of trust as a director in applying £78,000 of the company's money for his own use. It claimed repayment.

Mr Randall received the £78,000 over a period from February to May 1982. It was not in dispute that he was guilty of misfeasance. The £78,000 was the total of secret commissions which he received in those months.

He became accountable to the company for the £78,000 as a constructive trustee, and if he had not repaid the money to the company before commencement of the winding up he would have no answer to the liquidator's claim in misfeasance for the £78,000.

It was well-established that a delinquent director liable in liquidation for misfeasance by misappropriation of the company's money could not set off against that liability any other claim he might have as a creditor of the company.

The delinquent director had to pay his liability for misfeasance in full, and was left to prove in the liquidation for his other claim. The question was whether before commencement of the liquidation Mr Randall repaid the £78,000 to the company. Mr Justice Millett held that he had. The company now appealed.

Mr Randall paid the £78,000 into his personal current account at Lloyd's Bank. The company was getting into financial difficulties and its overdraft with Lloyd's was increasing. Under pressure from Lloyd's Mr Randall was prevailed on to guarantee its liabilities to the bank up to £90,000.

In support of his guarantee Lloyd's required him to pay £90,000 into a special guarantee account at the bank. He transferred the £78,000 together with £10,500.

The guarantee account was a blocked account on which Mr Randall could not have drawn without the bank's consent. But if the company had prospered and paid off its overdraft, the bank would have been bound to release the whole of the money in the guarantee account to Mr Randall. Accordingly, the mere placing of the £78,000 in the blocked guarantee account could not have constituted payment to the company.

On September 17 the bank called Mr Randall's guarantee. On September 30 it transferred the money in the guarantee account to the company's account in reduction of the overdraft. The following day the company went into liquidation.

That operation reduced the bank's claim in the liquidation by £88,500. It did not reduce the company's total indebtedness because Mr Randall became entitled,as soon as the transfer to the company's account was made, to stand in the shoes of the bank as a creditor of the company by subrogation for £88,500.

In *Anglo-French Co-operative Society (1882) 21 Ch D 492* directors misapplied £2,600 of the company's money by paying it to one of the promoters, and he used it to subscribe for debentures in the company. The payment was a misfeasance, but the directors contended their liability was satisfied when the £2,600 came back to the company as subscription for debentures.

The court rejected that claim. Lord Justice Brett said that when a person's money was wrongfully paid away nothing could lessen the extent of his damage unless the money was "paid back into the hands of the person from whom it was taken as free to him as it was before".

Jessel MR said "why the company should not be entitled to the benefit of . . . the money on giving the security, as well as to the liability of the persons, I cannot see."

That applied in the present case. The money in the guarantee account which the bank used in reduction of its overdraft was presented, whatever its actual source, as Mr Randall's money deposited in support of his guarantee. The company was entitled to treat it as such, and pursue its claim in misfeasance for the full amount, leaving Mr Randall to prove in the liquidation *pari passu* with other creditors in reliance on his rights by way of subrogation.

Alternatively, to apply Lord Justice Brett's terminology, the £78,000 did not come back to the company as "free" as it would have been if paid to the company by Mr Randall. It came back saddled by his rights of subrogation to the bank.

The company was entitled to succeed on the appeal and recover from Mr Randall the full £78,000 misappropriated by him.

LORD JUSTICE PARKER agreed that the question was whether prior to commencement of liquidation Mr Randall had repaid the £78,000. He agreed also that no repayment could be established prior to September 30 when the moneys were transferred from the guarantee account to the company's overdrawn account. The problem was to determine the effect of such transfer.

In *Anglo French* it was explicitly recognised that the persons holding the debentures were not before the court and might have a valid claim to them. The present case was markedly different. Here the company gave nothing in return for receipt into its bank account of the misappropriated moneys. The only person who could conceivably be regarded as preventing such receipt from being a return of the moneys to the company free of fetter was Mr Randall, and he was before the court.

It was submitted that there was such a fetter because Mr Randall would be subrogated to the rights of the bank to the extent of the moneys transferred, and that the result of the transfer was that a liability to Mr Randall was substituted for the company's liability to the bank.

That could not be accepted. Suppose that immediately after the transfer Mr Randall had claimed against the company asserting subrogation rights and had stated that the £78,000 was misappropriated, his claim would be completely hollow. Suppose he had kept the £78,000 in a suitcase and handed it in to the credit of the company's account in pursuance of his obligation under the guarantee, he could have had no right of subrogation to be able to claim that amount from the company.He would, in effect, have been paying the company money he owed it.

If that were so, his liability to the company was discharged when its money was paid to its credit and in reduction of its liability to the bank.

The appeal should be dismissed.

LORD JUSTICE STOCKER agreeing with Lord Justice Parker said that theissue was whether or not the company, having had its indebtedness to the bank reduced by £78,000, had in fact sustained any loss by reason of Mr Randall's misfeasance.

The company had not sustained any loss. It would receive payment twice over if Mr Randall provided a further £78,000.

In *Anglo-French* the money subscribed for the debentures was not money freely available to the company, since the company was saddled *inter alia* with the liability to redeem the debentures.

In the present case even if payment to the bank was regarded as a loan it could not in fact have been a loan. Once the true facts were known it was established as the company's unfettered money, since no debt in favour of Mr Randall existed.

If, contrary to that view, some fetter did exist, it was illusory. The money never was Mr Randall's property. Any claim in the liquidation by subrogation would be bound to fail. He had no claim to the money. Such a claim would have been fraudulent.

For the liquidators: Richard Jones (McKenna & Co)
For Mr Randall: Michael Brompton (Stone Rowe Brewer & Devane, Richmond)

Rachel Davies
Barrister

LONDON PROPERTY

ENTERTAINMENT

PERSONAL

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

Case No. 86-B-11120 (BRL)

In re
EAST-WEST ASSOCIATES
A Limited Partnership,
(Involuntary Chapter 11)
Debtor

NOTICE OF PUBLIC AUCTION FOR THE SALE OF PROPERTY

PLEASE TAKE NOTICE that on July 23, 1990, at 10.00 am, a hearing will be held before the Honorable Burton R. Lifland, United States Bankruptcy Judge, in the United states Bankruptcy Court for the Southern District of New York, at Room 623 of The Old Custom House, One Bowling Green, New York, New York 10004-1408, to consider offers to purchase the property owned by the debtor, East - West Associates, located at 135 - 137 West 52nd Street in New York City, New York, free and clear of all liens, claims and interests of creditors and interest holders of the debtor.

PLEASE TAKE FURTHER NOTICE that the property is to be sold for the highest and best all cash offer (except to the extent that certain secured creditors are permitted to bid in their secured claims under the Plan of Reorganization which has been confirmed in this case).

PLEASE TAKE FURTHER NOTICE that any bidder must exhibit to the Bankruptcy Judge at the hearing and prior to the commencement of bidding proof of its ability to pay the purchase price for the property and deliver a certified or bank check in the amount of $1,000,000 made payable to E. Peter Krulewitch. The wining bidder will be required to pay the balance of 10% of the purchase price in the form of a certified or bank check not later than 72 hours after the hearing. The wining bidder must be prepared to close within 30 days after the hearing. All checks other than the winning check will be promtly returned.

PLEASE TAKE FURTHER NOTICE that no implied warranties accompany the sale of the property. The sale of the property is 'as is'.

PLEASE TAKE FURTHER NOTICE that potential bidders should review thoroughly the complete Terms of Sale which may be obtained from Philip Trouat, Esq., Carb, Luria, Glassner, Cook & Kufeld, 529 Fifth Avenue, New York, New York 10017, (212) 986-3131.

PLEASE TAKE FURTHER NOTICE that the property is available for inspection prior to the hearing by appointment. For an appointment, or for further information, please contact Philip Trouat, Esq., at the address, or phone number, written above.

Dated: New York, New York
July 6th 1990

BY ORDER OF THE COURT

HONORABLE BURTON R. LIFLAND
UNITED STATES BANKRUPTCY JUDGE

WACHTELL, LIPTON, ROSEN & KATZ
299 Park Avenue
New York, New York 10171
(212) 371-9200

CARB, LURIA, GLASSNER, COOK & KUFELD
529 FIFTH AVENUE
New York, New York 10017
(212) 986-3131

Co-counsel for Carteret Savings Bank, F.A.

INTERNATIONAL WINDOW COMPANY LIMITED

NOTICE HEREBY GIVEN, pursuant to section 48 (2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading

at 1430 hours on 27 July 1990

for the purpose of having laid it a copy of the report by the administrative receiver(s) under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to excercise the functions conferred on creditors' committees by of under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than1200 hours on 26 July 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditors intends to be used on his behalf

N J Vooght
Joint Administrative Receiver(s)
Date: 9 July 1990

KEENLEVEL LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at:- St Andrew's House, 20 St Andrew Street, London EC4 on 25 July 1990 at 12.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 24 July 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date: 9 July 1990

C J HUGHES & M.J.LONDON
Joint Administrative Receivers
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note
Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

RAGDALE HEALTH CLUBS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at:- St Andrew's House, 20 St Andrew Street, London EC4 on 25 July 1990 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 24 July 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date: 9 July 1990

C J HUGHES & M. J.LONDON
Joint Administrative Receivers
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note
Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

Supreme Court of the State of New York
County of New York

Index No. 17905/90
Plaintiff(s) designates New York
County as the place of trial
The basis of the venue is
ATTACHMENT OF PROPERTY IN NEW YORK
Summons with Notice
Plaintiff(s) reside(s) at 50 Park Lane, Golf, Illinois 60029 County of

TRANSNORD, INC.,

against

THAMES SHIPPING CO., LTD.,

To The above named Defendants:
You are hereby summoned to answer the complaint in this action and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance, on the Plaintiff's Attorney(s) within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if this summons is not personally delivered to you within the State of New York); and in case of your failure to appear or answer, judgement will be taken against you by default for the relief demand herein.

Dated: June 25, 1990

Defendants address:
Mignot Plateau, P.O. Box 122
St. Peter Port, Guernsey, Channel Islands
Notice: the nature of this action is Breach of Contract
The relief sought is a money judgement

Attorney(s) for Plaintiff(s)
Office and Post Office Address
FREEHILL, HOGAN & MAHAR
80 Pine Street,
New York, New York 10005

Upon your failure to appear, judgement will be taken against you by default for the sum of $16,116.00 with interest from June 25, 1990 and the costs of this action.

LINGFIELD PARK LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at:- St Andrew's House, 20 St Andrew Street, London EC4 on 25 July 1990 at 12.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown below, no later than noon on 24 July 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date: 9 July 1990

C J HUGHES & M.J.LONDON
Joint Administrative Receivers
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note
Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

MANAGEMENT

The value of brands

Wrong figures lead to wrong decisions

By David Waller

Balance sheet values of brands may not indicate worth when resources are being allocated

Mention brand accounting to a finance director or stockbroker's analyst, and the likelihood is that there will follow a disquisition on the ingenious way that companies like Grand Metropolitan, Guinness and Ranks Hovis McDougall have managed to bolster their balance sheets by ascribing a value to their brand portfolios.

There is, however, another, less familiar side to the brand accounting debate: namely, over the way in which companies measure the performance of their brands internally and decide how to allocate resources from one brand to another. According to a recent report from David Allen, a former finance director of Cadbury, the confectionery manufacturer, and now a professor at Loughborough University, the misuse of accounting is leading to the mismanagement of brands.

Allen's thesis – to be found in the report Creating Value: The Financial Management of Brands* – is simple but damning. Having talked to numerous British managers in companies with brand portfolios, he argues that traditional double-entry accounting is being used "beyond its 'design spec'" to assess whether a brand is doing well or badly, and that as a result managers are taking the wrong investment decisions.

He draws a contrast between two different ways of measuring financial performance. The first is the accounting model which forms the basis of the figures one finds in a company's formal report and accounts. This, Allen argues, is designed for "stewardship reporting", ie giving a picture of the company's financial performance to its shareholders. Inevitably, argues Allen, such figures are backward-looking, focusing on tangible assets and realised profits.

In contrast to this, there is what Allen calls "pro-active financial management". This, he explains, involves "forward-looking subjective judgments", often based on intangible values, ie on gains which are as yet unrealised and thus do not find their way into a set of financial accounts.

The central problem, according to Allen's scheme of things, is that the management accounts used by those directly responsible for a portfolio of brands are no more than "subsets of financial accounts". The management accounts "are more frequent," he explains, "and more detailed, but are primarily used to check that the business is on course for its target profits. The danger that [the brand's] long-term health may thereby be damaged is hardly ever quantified."

This stems from short-termism at the very top of the company, Allen argues: "Directors of public companies say they believe that their security depends on reported results. Middle and junior management are motivated to support them by means of objectives, performance measures and rewards, expressed in terms of accounting profits (or derivatives, such as return on assets or earnings per share)."

Thus, Allen continues: "Investments in brand-building strategies are explained, not in terms of what can be justified on the basis of expected returns, but in terms of what can be afforded on the basis of reported profits."

Expenditure – on research, development, training, marketing and information management – may thus be seen as no more than an appropriation of forecast profits, rather than as the vital investment required to maintain the strength of the brand over the long term. Moreover, Allen finds, marketing expenditure is often seen as the most discretionary outlay under management control.

"Problems in other parts of the mix (volume, price, cost) are compensated for by reducing marketing support, so as to stay on course for the profit figure which is seen as a commitment – and is used as the benchmark for bonus calculations... Quite frequently, support for one brand is reduced in order to compensate for volume, price or cost problems faced by another..."

What is required, according to Allen, is a new accounting model which recognises the importance of intangible assets and unrealised gains – a model which represents the net present value of the cash which will flow from that brand over the medium-term, a statement of the total wealth of the business independent of the exigencies of the stock market and financial reporting.

In the penultimate chapter of his report, Allen advocates the use of a system based on an estimate of the present value of the business. This would enable managers to overcome traditional accounting's distinction between capital expenditure (which bolsters the balance sheet) and revenue expenditure (which is set off against profits).

"Fundamentally," Allen says, "there is no difference between the two outlays; the cash used to defray what the accountant calls capital expenditure is the same as that used to defray revenue expenditure. Buying market share [by spending on advertising, which would reduce reported profits] is no different from buying the plant with which to supply it."

It is not as simple as this, though; the present value calculations must be adjusted to take account of (a) "interactions" and (b) "relativity". In this context, interaction means the way the demand stimulated by the advertising is exploited, ie as higher volume or higher price. Relativity refers to "the relative advertising effectiveness which builds relative market standing, and relative price which translates this into market share and volume."

What do finance directors think of Allen's ideas? A good one to turn to is Neville Bain, finance director of Cadbury-Schweppes, parent company of Cadbury itself. Bain says he sympathises with Allen's analysis, but is not convinced that his former colleague offers a practicable solution to the problems of accounting and short-termism.

"Cash is a reality, profit a matter of opinion," says Bain. "Even so, we hardly ever use discounted cash flow analysis to measure performance at the trading level, although we may use it to assess whether we should buy a company or start the same business from scratch. I have to agree with David that the bonuses for the managing directors of our average businesses are calculated largely by reference to short-term trading profits.

"Whether our brands suffer as a result of the cutting of marketing expenditure is a different matter," Bain continues. "It's almost too obvious a trick to get profits up by cutting advertising expenditure."

He thinks it important that good business performance be reflected in terms that the providers of the company's capital can understand. Nevertheless, he is sympathetic to the argument that the performance-measurement model should, somehow, take account of subjective, non-financial criteria.

Quite how is another matter; Bain says that Allen's model is too complicated for ready implementation.

* *Creating Value, The Financial Management of Brands. Available from the Chartered Institute of Management Accountants, 63 Portland Place, London W1N 4AB. Payment of £19.50 plus £2 p+p required with each order. Further information on 071-637 2311.*

Clocking on to diversity

Ian Rodger explains how Citizen has benefited from thinking small - making tiny products and avoiding big competitors

Steer clear of the big boys – that seems to be the key to success in diversification that Citizen Watch has found in the past couple of years.

Citizen is one of a group of medium to large Japanese manufacturing companies (consolidated sales of about £1.2bn last year) that has been preoccupied with diversification for several years, but for a long time did not seem to be getting very far.

Kyocera and Brother Industries are others of the genre that come to mind. All achieved high growth in the 1970s and early 1980s by making a single product or group of products better than their competitors, often after developing it in-house.

All then became worried about the maturing of their products and tried to diversify to maintain the momentum of their sales and profit growth. Naturally, they moved first into areas related to their own expertise, in the hope that synergy would help them at least to avoid disaster.

In each case, however, they soon found themselves competing with companies with much greater resources – something they had been unaccustomed to in their core businesses. Brother, which did well in electronic typewriters, has been swamped in the word-processor business by NEC, Matsushita, Toshiba and others.

Kyocera, a power in high technology ceramics, has had an uphill struggle in the camera business against the established giants, Canon, Konica and Minolta. Citizen has floundered for years in the computer printer business, unable to keep up with the big volume, low value producers, such as Epson, or to find a place in the new laser technology printer market.

However, of the three groups, Citizen has probably had the greatest success so far in its overall diversification programme. It has reduced the importance of watches in its overall sales from two thirds in 1986 to 49 per cent last year, although this has not been achieved by trimming the watch division. Over the period, watch sales rose by 12 per cent and still account for nearly two thirds of group profits.

If there is a common characteristic in Citizen's successful diversifications, it appears to be the avoidance of more powerful competitors. For example, the group's precision lathes, developed in-house for manufacturing the tiny rods and bars that go into watches, have been a big hit, as manufacturers of many other products emphasise miniaturisation. In the year to March 31 1990, sales were up 38 per cent to Y29bn.

Similarly, the group has used its precision skills to great effect in developing very slim floppy disk drives (FDD). These are particularly in demand for the new generation of so-called notebook size personal computers where the smallness of components has become important.

Riding the popularity of these PCs, Citizen's FDD sales soared last year. The group now claims second place in the world market for 3.5 inch FDDs with a 10 per cent share; it is confident it can more than double its share this year and surpass the market leader, Sony.

In a related venture, it has begun manufacture and assembly of notebook computers for Compaq, one of the market leaders. Sales of these PCs and FDDs jumped 28 per cent last year to Y48.2bn.

By contrast, sales of printers tumbled 11.2 per cent last year to Y14.6bn and the group has decided to follow a strategy often taken by Western manufacturers when a product line is under threat. It has retreated to a niche making high-value, low-volume impact printers. This has brought the business back into profit, but a big question mark must hang over its future.

For the future, Citizen seems determined to stay on its "precision mechatronics" track and to try and avoid sectors where the competition is too hot or where the group would be a late entrant, as in hard disk drives, for example. Michio Nakajima, president, says the group is very interested in integrated circuit cards, which many think will take over from floppy disks as the standard portable data storage media as the miniaturisation trend intensifies.

The group's latest venture, announced in May, is to design and make plastic packages for Motorola microprocessors and assemble them for the US chip maker, a highly specialised process. The group has invested Y1bn on high-volume assembly equipment for the venture, and is confident it will lead to further big contracts.

In another sector, liquid crystal displays (LCD), Citizen now faces the problem of deciding whether to carry on in an area where it has had a good run, but which is now attracting the interest of the big battalions.

The company has become a respected supplier of flat screen LCDs for portable computers, calculators, electronic diaries and the like and has a sufficient volume in black and white displays to make satisfactory profits.

However, colour LCDs are now beginning to come on the market, with a big, heavily financed IBM-Toshiba joint venture leading the way. Nakajima admits frankly that the group is torn over what to do about it. "It is very expensive. We would have to invest tens of billions of yen (Y10bn = £37m), and it would be four or five years before we saw a profit."

Past experience points one way, but the Japanese love a challenge. "Our R&D is comparable to other companies; we cannot lose out to others," Nakajima says.

Sales breakdown by business segment(Yen m)

Activity	1989-90	1988-89
Watches and parts	164.18(49.1%)	161.74(53.8%)
Clocks	15.78(4.7%)	15.23(5.1%)
Industrial machinery and equipment	29.04(8.7%)	21.07(7%)
Information equipment and parts	48.21(14.4%)	39.19(13%)
Electronic equipment and parts	35.18(10.5%)	24.12(8%)
Jewellery, sunglasses and frames	26.77(8%)	23.99(8%)
Others	15.24(4.6%)	15.41(5.1%)
TOTAL	334.41(100%)	300.75(100%)

TECHNOLOGY

Peter Marsh on how Kratos is adjusting to Japanese ownership

Playing two instruments in harmony

"I STOPPED worrying about this kind of thing years ago," says John Waldron, chairman of Kratos, a UK analytical instruments company, in response to a question about the ownership of his business.

Since early last year Kratos has been part of Shimadzu, Japan's biggest maker of analytical equipment and one of the world's top four companies in this field.

For Waldron, who is 62 and started out as a research chemist, the takeover was a watershed in a 40-year career which has spanned the entire modern history of developments in analytical instruments.

During this time he has remained at Kratos while it has passed successively under the control of two large UK industrial companies; a US high-technology business; a group of UK bankers; and now Shimadzu.

The story of Manchester-based Kratos provides an insight into the expansion strategy of Shimadzu, which is barely known in the West yet is the leading player in analytical instruments in the Far East. It is keen to establish itself in Europe via the Kratos acquisition.

The takeover by the Japanese company also marks the latest stage in the development in Britain of a specific area of analytical technology – mass spectrometry – in which Kratos gained a foothold in the 1950s as a result of work on the UK's atom-bomb programme.

Kratos's progress in this technology, thanks to the succession of owners, has hardly been smooth. It is conceivable that the company might today be in a much stronger position, under UK control, had its original owners pursued a longer-term development strategy.

For Waldron, however, the question is academic. The first two owners of Kratos were Associated Engineering Industries and General Electric Company, Britain's biggest electrical group. GEC took over Kratos after it bought AEI in 1967.

Waldron acknowledges that neither AEI nor GEC were particularly adept at running the Kratos business. They did not appear to have much interest in growing it to a world-scale company.

But he says: "The arguments about control are outdated. The term 'British company' is emotive. What matters is whether local research and development is encouraged, whether you have British management and local manufacturing, and whether you are creating jobs. All these criteria are filled with the present ownership [Shimadzu]."

Analytical instruments encompass a world business with annual sales of about $5bn. It involves a range of systems for monitoring and measuring substances in a number of industries including chemicals, oil-prospecting, pollution control, medicine and space research.

The systems in which both Shimadzu and Kratos specialise are mass spectrometers, analytical machines with annual sales of about $400m which are growing at about 12 per cent a year. Spectrometers are used for working out the concentrations of molecules in, for instance, a stream of gas from a chemicals plant or a metal whose surface has been contaminated. The machines work by subjecting ions (charged atoms) from the substance being studied to a magnetic field. The ions can be identified by calculating their mass and their electrical charge.

Waldron worked for four years in the mid 1970s for VG Instruments, a UK instruments group which was bought last year by Fisons. Fisons is a UK drugs company which is building up an analytical equipment business and is among the world's top four companies in this field. Besides Shimadzu, the other two are Hewlett-Packard and Perkin-Elmer, both of the US.

Apart from this spell with VG, Waldron has spent most of his career in top jobs with Kratos since it was formed in 1960 as part of AEI. During the 1950s, he worked for Metropolitan Vickers, another part of AEI, and was responsible for some early advances in spectrometers. The systems saw initial use in the UK in research into uranium separation as part of the nuclear-bomb programme.

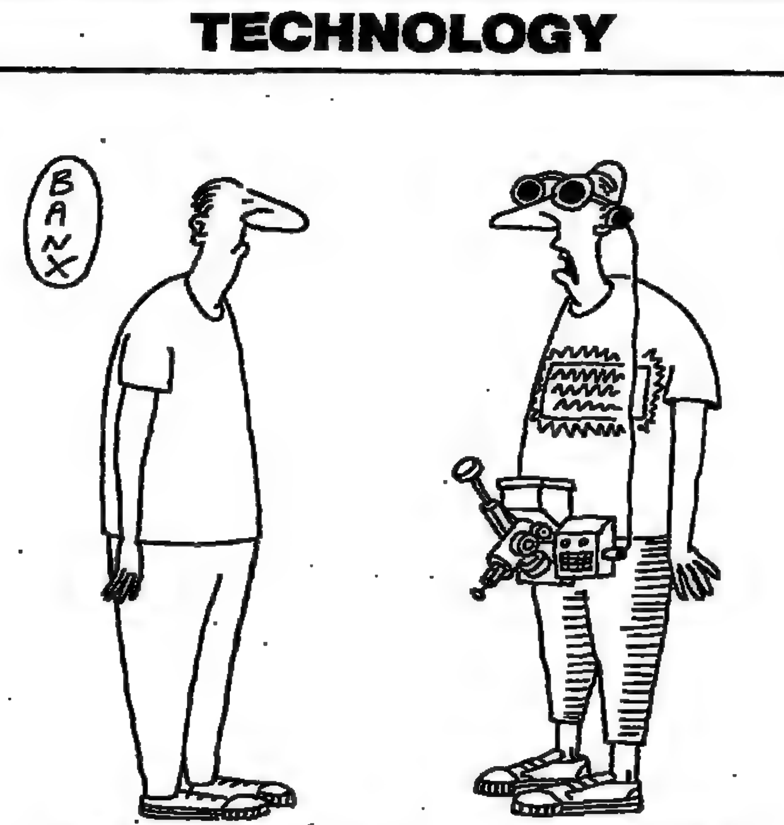
Kratos was sold by GEC in 1976 to a US instruments group from which it took the Kratos name. It had one further owner, a group of UK financial institutions, which took control in 1984 after a management buyout. Following financial problems for Kratos, the institutions sold the company to the Japanese last year for about about $20m.

From Shimadzu's point of view, the Kratos takeover is a central part of its efforts to build up in Europe. Scientific instruments account for roughly half of Shimadzu's annual sales of about $1.2bn. The company also makes aircraft equipment and medical systems. The majority of Shimadzu's instruments sales are currently in the Far East.

The takeover means Shimadzu has a new range of upmarket spectrometers which it can sell to its customers in the Far East

Kratos, with likely revenues this year of about $35m, is a small player in instruments. Shimadzu was impressed, however, by the geographical spread of Kratos's sales. These come from just the regions where the Japanese group is weak. About 40 per cent of Kratos's turnover comes from Europe, and a similar amount from the US.

Furthermore, Kratos is strong in a part of the spectrometer market in which Shimadzu is struggling to establish a presence. This comprises research-grade spectrometers, which are highly sophisticated machines and can cost $1m or more. They are used by skilled scientists for jobs like unravelling the paths of complex chemical reactions.



"HAVEN'T YOU SEEN A JAPANESE MASS SPECTROMETER BEFORE?"

Such high-grade spectrometers account for about a third of the world market in the machines. The rest of the market is taken up with so-called bench-top systems. These machines typically cost about $70,000, have limited resolution and are used for jobs which are not especially demanding scientifically – routine pollution analysis for instance.

Shimadzu specialises in these bench-top systems. But it has been interested for some time in building up strength at the top end of the market. Other leading groups in research-grade systems include Hewlett-Packard; VG; the US's Extrel and Finnigan (owned by Thermo Electron); and Nermag of France.

The Kratos takeover means Shimadzu has a new range of upmarket spectrometers which it can sell to its existing customers in the Far East. Moreover, the acquisition gives it access to some specific technologies – particularly in software and in detection systems – where Kratos is strong. Shimadzu's engineers may be able to use some of these technologies in future generations of the cheaper instruments which it sells already – sales of which are growing at a faster rate than the research-oriented systems.

According to Gordon Wilkinson, editor of Analytical Instrument Industry Report, a UK-based newsletter, the deal is extremely good for Shimadzu. "They are taking a long-term view," he says.

This is not the first move into Europe for Shimadzu. It already has a small assembly operation in Duisberg in Germany for its bench-top machines. But just as it has failed so far to break out into the research-grade systems, it has not as yet struck up links with the scientific community which uses these machines. In this last respect Kratos's good connections with a number of UK universities – among them Cambridge, Warwick and Manchester – will be highly useful. Hideki Makabe, Shimadzu managing director in charge of scientific instruments, says: "We are full of respect for Kratos's expertise [in technology]."

Shimadzu has told Kratos and its 350-strong workforce that production and research will continue in Manchester. Had other companies purchased the Manchester concern, rationalisation and redundancies would have been likely.

Waldron conveys the impression that Shimadzu is shaping up to be a much better owner of Kratos than any of the groups previously in charge. "Their approach has been 'How can we help you?'" he says. "They have taken a lot of time and trouble to try to understand our business and about how a western company operates. There is a feeling of permanence."

Artificial diamonds show off their valuable shine

Martin Dickson examines GE's breakthrough

A breakthrough in the manufacture of man-made diamonds – of potential importance to several high technology industries – was announced last week by General Electric, the US company which pioneered artificial diamond production back in the 1950s.

Natural diamonds – the kind mined out of the earth – are not only the world's hardest material and most desired form of personal adornment but also its most efficient conductor of heat, giving the stones many important high technology applications such as in micro-electronics and communications.

Last week, however, GE announced that it had found a way of making a new type of diamond which can conduct heat up to 50 per cent more efficiently than the natural gems and which is also more resistant to damage from a laser beam.

"This will change the face of industry for many years to come," says Ed Russell, general manager of GE Superabrasives, which will start manufacturing the new product commercially in one to two years' time.

GE is already the world's leading supplier of man-made diamonds for industry. Its breakthrough in the conductivity area involved experimenting with the composition of diamonds, which consist of two isotopes of carbon – Carbon 12 and 13. Carbon 13 is an impurity which slows heat transmission, and the best heat conductors among naturally occuring gems are composed 99 per cent of Carbon 12.

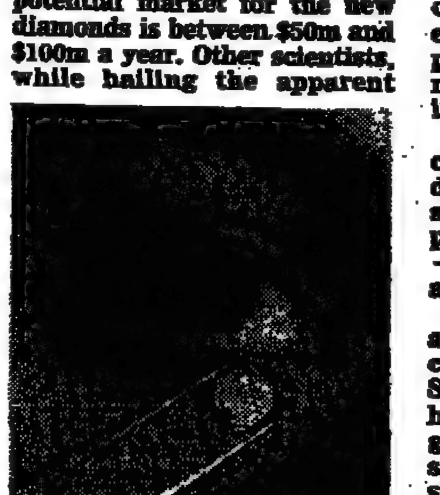
What GE has done is to create an artificial diamond which is composed 99.9 per cent of Carbon 12. That sounds like a small change in make-up. Indeed, existing scientific theories predicted that such an alteration would only lead to a 5 per cent increase in a diamond's heat-carrying ability at room temperature.

But experiments by GE scientists showed that the diamonds were 50 per cent more efficient. "It's as if you went into the high jump competition hoping to slightly beat the world record by going a few inches over eight feet, and came away with a jump of 12 feet," says Walter Robb, GE's senior vice-president of corporate research.

Measurement of the heat-carrying abilities of the stones were carried out by a team of scientists at Wayne State University, Detroit, which used a novel "thermal wave" method, employing two laser beams, to carry out the intricate tests.

They also made another unexpected discovery: the isotopically pure diamonds were 1,000 per cent better at resisting damage from laser beams than natural diamonds.

GE estimates the immediate potential market for the new diamonds is between $50m and $100m a year. Other scientists, while hailing the apparent breakthrough, say that commercial success depends on how expensive the diamonds are to make. Robb agrees that they will be more costly than other artificial diamonds: "We will have to look for markets where the cost can be justified by their properties."



One obvious application is micro-electronics, where diamonds are already used as "heat sinks" which carry away heat from high powered components, thus prolonging their life or enabling them to do a wider range of tasks. With the new diamonds, micro-chip manufacturers may be able to pack components together more closely without the danger of overheating.

Similarly, in the communications industry, the diamonds could extend the life of equipment such as fibre optic repeating stations by getting rid of unwanted heat.

Laser technology should also benefit. The diamond's much higher resistance to laser damage means that it can be used as the window through which lasers transmit their energy. Conventional materials absorb some of the energy, which reduces the power of the machine and damages the window. The new material will provide opportunities for more efficient cutting lasers and more sensitive analytical instruments.

The diamonds were discovered by combining two very different technologies – one involving high pressures and one low pressures. The GE scientists' first step involved a process developed in 1980 to make thin diamond films, used in cutting and drilling tools.

This process, called chemical vapour deposition, involves detaching carbon from a gas such as methane at very low pressures – almost a vacuum – and laying it down atom by atom to form a diamond sheet.

The scientists thus produced a sheet consisting of 99.9 per cent pure Carbon-12 diamond. Sheets of diamond are grainy, however, and therefore not a good conductor. The second stage was to grind up the sheet into a powder and use it in a special gem-diamond making process invented by GE in 1970. That method produced diamonds as beautiful as mined ones. But because the cost was far higher the method was not developed commercially. It is now, however, a key step in the new process.

The technique is similar to growing salt crystals from a salt solution, although it requires great extremes of pressure and temperature and very precise controls.

William Banholzer, who led the team of scientists, says he still cannot explain why the new diamonds are so much more efficient conductors and so resistant to laser damage. But he is hoping that publication of GE's findings in the July 15 edition of Physical Review B, a journal of the American Physical Society, will encourage others to join the theoretical debate.

The Rocky Horror Show

PICCADILLY THEATRE

Adam Caine and Tim McInnery

Rocky is back – Richard O'Brien's cult musical of the early 1970s, which used a burlesque of cheap horror movies to preach the fashionable mantra, "drugs and sex and rock and roll," has resurfaced in the West End. It not only drags a reputation with it, but a host of fans whose idea of a good time is to dress up in fishnet stockings, white make up, and adjustable humps. They carry rice, buns, and water as throwable accessories at the stage – and a knowledge of the script which must also unnerve the cast.

The producers are wary of these acolytes whose association with the show derives from its movie version. Their bags are searched; their props requisitioned. They are not taking the venture seriously enough. For this stage version goes back to basics, and, while not designed to play Rocky straight, at least wants to rescue it from all the tired camp touring versions. So Robin Don's set looks like money well spent, a cross between Frankenstein's den and Cape Kennedy with a nice line in phallic rockets; and the cast have serious acting reputations.

They do their best to ignore the groupies. "How nice, the block booking from Mansfield has turned up," sneers Tim McInnery, who wears the stockings and basque of Frank N Furter, the mad scientist from the planet Trans-sexual, with some inhibition, more like a Pantomime Dame than a closet transvestite. Edward Tudor-Pole, as his side kick Riff Raff, also seems to lack complete faith in his nastiness.

No problems with Adrian Edmondson and Gina Bellman as the wholesome couple Brad and Janet who seek refuge in the gothic castle after their car catches a puncture on a stormy night. They quickly take to sexual freedom, being graphically seduced in turn by Frank in shadow play behind a screen, which must have seemed shocking in 1973. Today it's quite alright: Frank makes a great show of using a condom. The finale, with most of the cast tottering around the stage in high heels and black underwear, provides a surreal sight gag and defuses any lingering pretentiousness.

The pace of the non-stop 90 minutes makes for an agreeable evening. The band blasts out the music, a splendid pastiche of 60's rock, with lively enthusiasm. You might get splattered on from above by smuggled special effects; you might miss most of the dialogue what with heckling from the audience and pressure on the actors to get through the daft script without pause for thought; but there is an energy and a liberation about Rocky which recalls all that was best in a hedonistic, but basically harmless era, now as distant as Biba and George Brown.

Antony Thorncroft

Remembrance

TRICYCLE THEATRE, KILBURN

Derek Walcott's *Remembrance*, dating back to 1977, strikes a quaint note beside more recent forays into the Afro-Caribbean consciousness, eschewing confrontational politics and presentation for a gentle exploration of the mind of an old man – a schoolteacher and writer, whose consciousness has been shaped and textured by his colonial heritage. One-jacket Jordan, as he was known to his pupils, is a creature of the past, who recites Gray's *Elegy in a Country Churchyard* and believes – with what authorial irony one is never quite sure – that "when it comes to poetry and art, colour don't matter."

Walcott's chosen structure is appropriately oblique: interviewed by a young reporter in his own front parlour, Jordan recalls his life in semi-fictional form. American attempts to buy out the newly independent Trinidad are encapsulated in a satire about the attempt of a US culture-vulture to purchase a family's roof, on which their son has painted the stars and stripes.

That little parable is followed by the central story, of Jordan's wartime infatuation with a neat English officer, which came to an end with her abrupt suggestion that they should get married. Faced with a proposal over an intimate *diner à deux*, Jordan hopped it to the men's room and never re-emerged – an act of cowardice for which, years later, he tries to atone by marrying his artist son off to a visiting American hippie.

The writing is rich with allusion, redolent with significances that are only half articulated: we hear, for instance, that Jordan lost a second son in the Black Power riots, but that part of his experience belongs to an area that is too painful to be shaped into a neat fiction. His son's death, like his own relationship with his long-suffering wife (given a quiet dignity by Barbara Assoon), is consequently left as a muzzy outline at some cost to the dramatic clarity of the piece, especially in a first act which takes quite a while to establish its ground rules.

Anton Phillips' production for Carib Theatre exacerbates this dramatic weakness by declining to point up the distinction between fact and fiction, the present and the past in any obvious way (a stronger lighting scheme, for instance, might have given Nina Marc the romantic edge she lacks as Jordan's remembered love, dancing to *La Sylphide*; she is on surer ground as the raunchy American). But the show does have the benefit of a superb Mr Jordan. Norman Beaton is roguish, ironic, growing from a smiling contrariness to an infuriating stubbornness and finally to a elegiac wistfulness that touches right to the soul of Walcott's often beautiful writing.

Norman Beaton and Nina Marc

Claire Armitstead

TELEVISION

Push out the boundaries

Well, did you see Jerry Hall playing Wedekind's *Lulu* on Channel 4? If, like me, you had not seen her on the London stage in *Bus Stop*, it made you realise that her excursion into acting is not merely the whim of a rich model with strong strings to pull; she really can do it. Indeed, she not only invested the Wedekind character with a powerful sexuality, but also hinted at the presence of considerably more talent than she was able to exploit in this small role.

But you did not see it? That is hardly surprising since it was shown a week ago on Monday, not much before midnight, as the third item in that week's edition of a Channel 4 series called *The Dazzling Image*. Perhaps you were engrossed in a repeat of *Miami Vice* on BBC1, or highlights of the third Test against New Zealand on BBC2, or the second part of that awful mini soap opera about Laurence Olivier and Vivien Leigh, *Darlings Of The Gods* on ITV. Perhaps you were in bed.

It is precisely because the temperature has soared into the low eighties (or whatever the soothsayers from the Weather Centre now insist upon calling it on television – the mid twenties?) in other words because summer has come and the schedules are choc-a-block with sport and repeats, many of which have already had a proper airing here, that it seemed a good time to cast an eye over the experimental work being done on British television.

If your lip has curled, Presley fashion, and you are asking "*What* experimental work?" it should be said that, however fast British television may be charging towards the global market to snap up American game shows and Europudding police series, admirable efforts are still made by both BBC and ITV to make some time, and even some money, available for untried people and untried ideas.

In the case of *Dazzling Image* most of the work has been financed via the Arts Council or the British Film Institute, and the programmes, made on everything from video 8 to 16mm film, vary from abstract pattern making to conventional dramas and documentaries. *10 x 10*, produced for BBC2 by Colin Rose, transmitted at 10.20 on Thursday nights, now in its third series, is currently all-electronic.

The first series of *10 x 10*, broadcast at the beginning of last year, consisted of documentaries, many of them striking, co-produced by the BBC and eight film schools. The second series, transmitted last summer, provided opportunities for BBC technicians – film editors, cameramen and so on – to try their hands at directing documentaries. Again the results were often good. The current series extends the exercise to drama, and concentrates on studio work.

We should cherish efforts of this sort which aim at broadening both the intake of people to television and the type of work regarded as suitable for the medium, because all the signs suggest that such initiatives will be rare indeed in the world of the new technologies. Satellite and cable do bring advantages to viewers: we can choose to watch the news pretty well when we want, there are many more movies on offer, programmes for children or rock music fans are available almost all the time.

But the programming for the new technologies is being financed at a level way below that in terrestrial television and one of the chief results is to ensure that there is on satellite and cable pitifully little that you could even call new, let alone experimental. It seems that we shall have to go on looking to the BBC and ITV (specifically Channel 4 if the Government's recommended split with the rest of ITV occurs) to push out the boundaries.

If we do not nurture and celebrate such efforts then we are likely to find ourselves sentenced to an eternity of 25 minute domestic sitcoms, and conventional 40 minute documentaries. Moreover there is virtually no chance for the independent-genius-starving-in-a-garret to create revolutionary masterpieces unaided, as novelists and painters once did. With television the cost of equipment, stock and staff means that support from a major television organisation is a virtual necessity, so our gratitude to BBC Bristol (which makes *10 x 10*) and Channel 4 is even more important.

That said, I must report that after being closeted for many hours with cassettes from these experimental series I have seen just about enough mixes from monochrome to colour and vice versa, just about enough sunlight reflected prettily off water, and just about enough fast-cutting sequences of mundane images accompanied by plink-plunk electronic music, to last me a lifetime. The saddening truth about experimental programmes in 1990 seems to be that only 2 out of 25, or fewer, have even a hint of the originality displayed in Bunuel's 17-minute film *Un Chien Andalou* which, though made in 1928, *still* looks more avant garde than anything being made today.

That is not the same as saying that no new talent turns up. Last week's *10 x 10* item, *The Monochrome Man*, about the serial murderer Dennis Nilsen, was a most impressive piece of work by Gabe Solomon. Not only did he exploit his 10 minutes to such effect that you felt he must have had 20, he also used some interesting modern technical effects and one repetitive motif – Nilsen's face on a television screen – which, instead of being merely a showy trick (like so many of the techniques in experimental programmes) had an important point to make about Nilsen, his image of himself, and his relationship to society. It will be surprising if we do not hear more of Gabe Solomon.

Rik Lander's *Deep Red Instant Love* in the first of the *Dazzling Image* collections was another memorable piece of work, albeit far more conventional than much of the material in this slot. It used comedy, a depressingly rare commodity in experimental television, to tell the story of a gormless youth named Frank who lives in a dream world of fitted kitchens and grocery packaging and, fittingly enough, gets a job in a supermarket.

Then there was George Snow's *Wedekind* complete with Jerry Hall, and quite a number of items in the *10 x 10* series looking more or less conventional and unsurprising: Ceri Higgins' biopic *Tina On The Azotea* about photographer Tina Modotti, for instance, was a perfectly competent piece, as was Bill Kirkwood's charming little drama *Look For The Moon* about a drunk locked in a restaurant.

Since *10 x 10* is concerned more with bringing on new people than new ideas it would seem unreasonable to complain that there is too little experiment; and since *Dazzling Image* is far more experimental it might (though then again it might not) seem equally unreasonable to complain that too many of its items are complacent, boring and anti-public in a manner that reminds one all too vividly of Carl André's bricks.

These series remind us that there is no law requiring television to be used solely for the conventional combination of sight and sound to convey the familiar chronological narrative, whether fact or fiction, which occupies it 99.9 per cent of the time. In Patrick Keiller's *Clouds* the main weight of the message is carried by poetry ("I was born in a city of our time, a city of sedimentary rocks and reborn expectations . . . ") whereas Phil Hendy's *Holy Physic* consists of non-narrative image making (an angel rising through the floor to the sound of a space rocket taking off, a man having his hair cut in a star shape and so on).

The medium is so dominated by the conventional that it can take a while to shift the gears in your mind and approach work of this sort in a suitable spirit. Once having done so, honesty demands an avoidance of over-indulgence yet at the same time a recognition that not everything should be judged by the same criteria as you would use for a Dennis Potter series or *World In Action*.

Dazzling Image and *10 x 10* compare moderately well – but no more than that – with much of the graduate work coming out of British film schools. (In a few cases it is actually the same work.) The important point for the future health of British television is that it should go on being transmitted for public consumption, however late at night, and however deep the shadows thrown by sport or American drama series on other networks.

Christopher Dunkley

Miranda Richardson in 'Secret Friends,' an experimental drama in BBC2's current '10 x 10' series

English National Ballet

COLISEUM

To inaugurate its summer season, English National Ballet came up with a gala triple bill less than welcoming or well-planned. About Christopher Bruce's *Symphony in Three Movements*, more in a moment. But the revival of Antony Tudor's *Echoing of Trumpets* suggested that its dramas are now sadly dated, and any performance of Béjart's *Bolero* is cause for despair. Historically, ENB (how unwise the title) has a rich and varied repertory which was enhanced by stars and enhanced its casts: this programme made the company appear faceless, and in the case of *Bolero*, downright foolish.

Looking at Christopher Bruce's version of Stravinsky's symphony, one has consciously to forget Balanchine's masterpiece to the same score. For Bruce the action concerns six men got up in trousers, shirts, waistcoats and string ties (they appear to be down-market croupiers) accompanied by six girls in unforgiveable pale blue dresses. (Clothes are by Nadine Baylis; there is no set save a depressing dark surround.) The movement style is vivacious, with jazzy twists and slumps, frequent in its use of Kylian-style racings about the stage. It is energetic – and the middle movement is, of course, a duet – and agreeable to watch. But its relationship with a score marvellously varied in tone and rhythm is hard to grasp. Bruce has concentrated upon the well-documented cinema elements in the music, yet has thereby narrowed Stravinsky's horizons, where Balanchine opened out vast perspectives in music and dance. The evident demands of Bruce's style are well met by ENB's dancers; they remain, however, cyphers rather than people.

The patent sincerity which informs every step in *Echoing of Trumpets* – both from choreography and from Monday night's cast – cannot now stop it seeming over-emphatic and relentless (and also slightly simple-minded as a gloss on Lidice's horrors). It may be that the precision of playing that Tudor demanded has been lost – though Janette Mulligan was admirably controlled as the bereaved woman – but the structural blatancies of the action, and the predictabilities of characterisation, seem worthy without touching the emotions. It is a good cause, but a lost ballet.

If only someone would lose *Bolero* I should be a happier man. Not-music is accompanied by not-dance as, on this occasion, Matz Skoog shimmied atop the table while forty chaps gave every evidence of the itch while watching him. Mr Skoog is far too good a dancer to be degraded in this fashion, and I wonder if the cast have paused to ask themselves why they should be involved in this sweaty exercise in homophilia. We have seen both men and women convulsing themselves on the table as objects of factitious lust in the past. In Paris they used to talk of an ultimate version involving a goat and forty Foreign Legionnaires.

Clement Crisp

Mitsuko Shirai

STATIONERS' HALL

For some time now, London recitals by this fascinating mezzo have been announced and subsequently cancelled; so it was a relief, as well as a pleasure, when she actually appeared on Monday for the City of London Festival. Pleasure it certainly was, with an aptly chosen *Lieder* programme and her distinguished pianist-husband Hartmut Höll as full partner.

Years back, we first noticed Miss Shirai as a faultlessly musical soprano in Webern's most difficult songs. Only later did the unique colour of her mezzo range come on display, remarkable for combining perfect pitch with a haunting timbre – perhaps an Oriental gift – projected almost without vibrato, often to intense effect. Now her dramatic scope has broadened, and the voice (and the vibrato) with it: a big sound, surprising from such a *petite* person, which sustains some grandly sculpted lines and a whole, concentrated view of every song.

Between them she and Höll gave Strauss's op. 67 songs for Shakespeare's mad Ophelia a cutting operatic edge, by brusque turns strident and cruelly drained. Their Wolf group began with Höll's magical spun-silver vision of "Die ihr schwebet," and continued with Shirai's simple, luminous pathos as the "Verlassene Mägdlein" – too histrionically pulled about by Höll, this time – and her bewitching "Zigeunerin." From Goethe, Philine's "Singet nicht" was a delicious tease, and Mignon's "Kennst du das Land?" an epic on a noble scale.

Turning to Schumann, these artists gave us a *Frauenliebe und -Leben* of acute feeling and lovely consistency, a complete reading. Though Miss Shirai might allow herself more lusciousness in the composer's characteristic turns, and Höll underplayed the bridesmaids' ceremony in "Helft mir, ihr Schwestern," the cycle gleamed with sympathetic conviction: each song stamped with distinct character, the whole sequence cogently developed. Serious *Lieder*-lovers should move fast to get Wigmore seats for October 1.

David Murray

ARTS GUIDE

July 13-19

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Louise Gold trying to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (071 734 8951, cc 071 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play from Bernard's own writing. Ned Sherrin directs (071 437 2663).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting, and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (071 839 5972).

Shadowlands (Queen's). Four-tissue weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet, Joy Davidman, which pushes Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (071 734 1166/071 439 3849).

The Wild Duck (Phoenix). Peter Hall's revival of Ibsen's tragicomedy champions the great Norwegian's humorous potential. Alex Jennings, David Threlfall and Nichola McAuliffe head the cast (071 240 9661).

Absurd Person Singular (Whitehall). Robust revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form. (071 867 1119).

Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May. The sobriety belies its pre-production high jinks. Sarah Miles left the cast, but Richard Harris stayed to give a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character, Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalor as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition - Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. A contemporary crew of Broadway aspirants lack the multi-talents that inspired the heyday of the musical.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

The Gospel at Colonus (Goodman). The season concludes with a visit from this widely toured, spirited version of Sophocles, set in an Afro-American Pentacostal church. Ends Aug 12 (443 3800).

Tokyo

Kabuki. Kabuki-za (541 3131). The matinee at 11 am is a mixed programme that includes a spectacular lion dance, while the 4.30 pm performance consists of the even more spectacular full-length play, *Tenjuku Tokube*, featuring magic and mayhem with kabuki superstar Ennosuke, master of the quick-change routine. Excellent earphone guide in English and English-language programme. Meanwhile, the National Theatre (265 7411) has a "kabuki classroom" that consists of a lecture demonstration (with earphone translation into English) followed by a performance of *Kuzu no Ha (The Fox Princess)* – an excellent introduction to kabuki. Opens today.

Ry Cooder, Bob Geldof

HAMMERSMITH ODEON, TOWN & COUNTRY CLUB

Ry Cooder has become one of rock's greatest interpreters, a performer capable of utterly transforming others' material and making it his own. Though he has gained a wider constituency with film scores, most notably for Wim Wenders' *Paris, Texas*, his large and devoted audience – one hesitates to describe such attentive and knowledgeable listeners as a cult – has followed his anthologising progress, as much as the development of his own song writing, with constant fascination.

Folk music in its widest definition has been Cooder's starting point, to which he has added other strands. He shared his four concerts at Hammersmith with fellow slide guitarist David Lindley, another peripatetic performer of the last two decades, member of the psychedelic group Kaleidoscope and latter-day collaborator with Jackson Browne, and like Cooder a much admired sought-after session guest.

Together they generated a beautifully balanced, intensely detailed sound, drawing the audience into their introspective world in which which every shift of Cooder's bemetalled fingers told, as he wandered though a repertory that touched upon all the fields he has visited over the last two decades from straight rock n' roll – a fierce "Blue Suede Shoes" – blues and country rock to unadorned country and western. It was a sustained, spell-binding occasion.

★

Which is all a long way from Bob Geldof, strenuously trying to prove that there is life after punk, the Boomtown Rats, Live Aid and near-canonisation. His new band, complete with two members of the Penguin Café, an ex-Rat, and a Irish folk dancer of unflinching composure is the Vegetarians of Love, and their new album heavily smoked with the sounds of Irish traditional music. The result is a strange fusion, sometimes sounding as if the Chieftains had bought themselves some heavy-duty PA, but which never quite gels or convinces – the rowdier Pogue-like numbers seem closest to Geldof's past and carry much of the energy, though the quieter Dylanish narrations complete with a curled-lip snarl that outdoes the man himself seem more durable.

On Monday there were the enthusiastically greeted nods to the past, when the hair became immaculately tousled and the shirt tail dangled to the knees. But the older Geldof finds it harder to bring such a savage edge to youth anthems like "I don't like Mondays;" he has discovered just how much more than teenage alienation there is to get angry about.

Andrew Clements

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Road clear for German unity

ONCE AGAIN Mr Mikhail Gorbachev has displayed his unrivalled talent for bowing gracefully to the inevitable. By dropping his objection to German membership of Nato, and agreeing to withdraw all Soviet forces from east Germany by 1994 at latest, he has extricated himself from an impossible diplomatic position.

Domestically this may give yet more ammunition to his conservative critics, who dominated the recent congress of the Soviet Communist Party. One of the accusations cast at him repeatedly in that unruly gathering was that he had abandoned Soviet positions in eastern Europe and especially Germany. Yet he succeeded in facing down those criticisms and emerged from the congress with his authority apparently strengthened.

It has been made very clear that he himself remains party leader more in order to keep the party out of mischief than because he regards it as a positive source of authority or legitimacy. This must help also to defuse any danger from the armed forces, where anxiety and resentment over the cession of east Germany to Nato may be supposed to be greatest. Had a real challenge to his authority developed within the party, the armed forces might have swung behind it. That they would attempt a coup d'etat on their own initiative is much less likely, for it would be contrary to the very Soviet traditions they would be purporting to defend.

Bearing fruit

The coincidence of the Soviet party congress with the Nato summit in London, which might have been awkward for Mr Gorbachev, turns out to have been highly favourable. He was able to seize on the declaration that Nato no longer regarded the Soviet Union as an adversary, the proposal for a joint peace declaration with the Warsaw Pact countries, and the promise to make nuclear forces "truly weapons of last resort", as evidence that his foreign policy had at last borne fruit. Nato of course had never seen itself as other than defensive, but successive Soviet leaders had always depicted it to their people as fiercely threatening. The London communiqué helped Mr Gorbachev to correct that picture. A great deal of work and ingenuity went into drafting it for that purpose, particularly on the part of the American diplomatic team – as was gratefully acknowledged by Mr Kohl in his telephone conversation with President Bush yesterday.

Soviet aid

Mr Kohl himself was able to do the rest, by promising economic aid (partly earmarked to ease the housing and other problems the repatriation of so many Soviet troops will cause) and by promising that Germany, in the next round of talks on conventional forces in Europe, will agree to a limit of 370,000 on the strength of its own army. He also agreed to a German-Soviet treaty, to be signed next year, laying down the guidelines for political and economic co-operation.

German-Soviet treaties evoke unpleasant memories for some European peoples, most especially for Poland. So it was appropriate that Mr Kohl should call, as soon as he was back in Bonn, for a new era in Polish-German relations with a border as open as that between France and Germany. Whether that is really practicable in the near future may well be doubted: it would have to be accepted not only by the Poles and Germans themselves but also by Germany's partners in the Treaty of Schengen, under which frontier controls are to be completely abolished. But it is very important that the Poles should be reassured about German intentions towards their country; and it is to be hoped that yesterday's agreement in the "2 plus four" talks in Paris will have achieved that.

There now seem to be no obstacles left that can prevent German unity going ahead on the terms desired by the West German government and its Nato allies. Fellow Europeans should congratulate the Germans on this great national achievement, and should work with them, notably in preparing for the November summit of the Conference on Security and Co-operation in Europe, to ensure that it opens a new era of secure peace and prosperity for the whole continent.

Towards a two tier Europe

THE DEPARTURE of Mr Nicholas Ridley to where there is wailing and gnashing of teeth has not resolved the problems of the Government over the UK's role in Europe. It has merely postponed them. Sooner or later – more probably sooner than later – the Government and the country may have to choose between sitting, uncomfortably, inside the Delors train to EMU or standing, equally uncomfortably, and watching it leave the station.

In some remarkably strong language the Chancellor of the Exchequer, Mr John Major, argued on July 6 that "the more I examine the present proposals, the more I feel that they would lead us away from common objectives, rather than towards them." The 12 nations of the EC are, he insisted, "nowhere near ready" for "economic and monetary union."

On this, Mr Major is right. In the absence of an integrated and, above all, a flexible EC-wide labour market, the "strain on Community cohesion would be intolerable and the nations that would feel the strain first would be those with the most divergent and least flexible economies."

Mr Major is also likely to find Mr Karl Otto Pöhl, President of the Bundesbank, in agreement on this point. Where Mr Major and Mr Pöhl part company is on the "hard ecu."

Successful monetarism

People sometimes write of joining the exchange rate mechanism of the European Monetary System as if it were a repudiation of monetarism. It is not; it is a way of importing successful monetarism from the Bundesbank.

For the Bundesbank, the more widely used the "hard ecu," the more unpredictable would be the demand for the D-Mark and the greater the problems of domestic monetary management. Since the "hard ecu" would not be an independent monetary standard, it would be a parasite upon the purchasing power of the EC's strongest currency, but one that would also weaken its host.

If the "hard ecu" is unlikely to prove an acceptable alternative to the most important player, one is left with the path of monetary convergence, irrevocably locked exchange rates and a single currency. Two questions then arise: how quickly that path can be walked and whether all should proceed at the same pace.

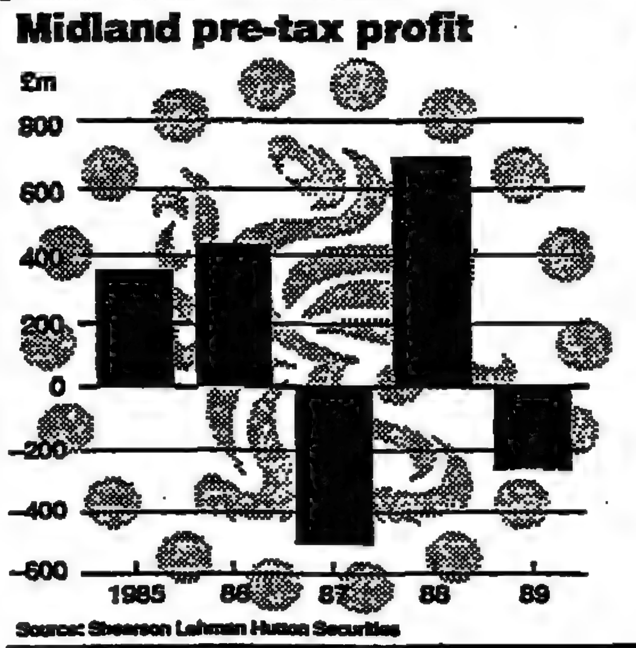
Countries already in the ERM on a narrow band, other than Germany, want to reach the end of the road soon. If they are already obliged to have the same monetary policy as Germany, they would obviously prefer to have a greater say in it. This source of pressure for the greatest possible speed is expressed in the Commission's thinking on EMU.

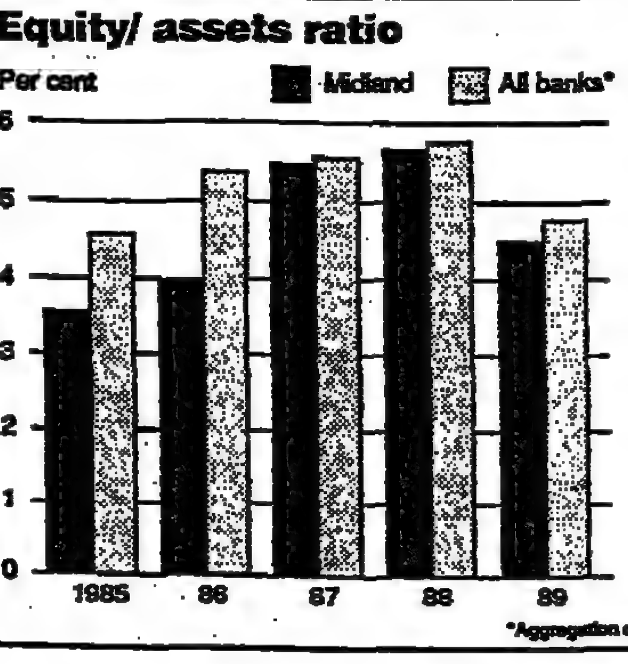
Nothing new

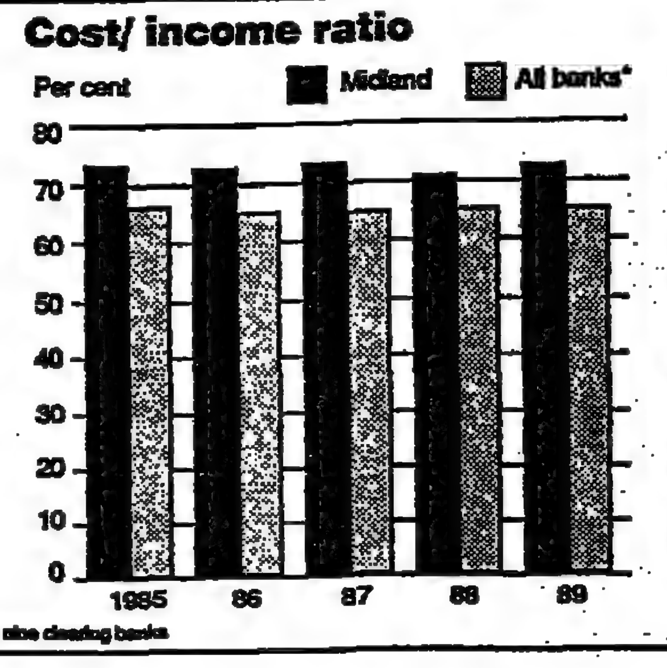
It is also reflected in Mr Pöhl's musings on a two-tier Europe. Ideally, all member countries should participate in the design of a Treaty on economic and monetary union and all should also accept it. But all need not put it into effect at the same time. Since the EC has had a two-tier monetary structure since 1979, there is nothing new in the idea. It is also perfectly sensible. If a number of countries wish to proceed to irrevocably locked exchange rates in the fairly near future, then it would be useless to try to stop them and foolish for every member to try to join them.

While all EC member countries should be represented in the new institution, only those of which the monetary policies are definitively subject to that framework, either because their currencies are irrevocably fixed or because they use a common currency, would have a vote. The others would remain in an ERM relationship, until they too decide to fix their exchange rates irrevocably.

For the UK such a development would raise all the old conflicts between its fear of being excluded, on the one hand, and its economic weaknesses and concerns about loss of monetary autonomy, on the other. The effort of the Cabinet is to avoid being forced to make that choice. But, as in the 1950s, the UK will not persuade the others to play its game. It will either have to play their game or not play with them at all.







Sir Kit McMahon, Midland Chairman and Chief Executive

David Lascelles on a UK clearing bank in dire need of a long-term partner

Midland's marriage prospects

On August 2, the City of London will go through a familiar and rather depressing ritual.

Midland Bank, the UK's third-largest clearing bank, will announce a fall in interim profits of more than 50 per cent, by far the worst of the Big Four, which include Barclays, National Westminster and Lloyds. Commentators will use such words as "accident-prone" to describe its performance. The chairman will blame a combination of tough economic conditions and internal problems. But he will balance this with some upbeat comments about Midland getting its act together again, and finding a partner to recover its role as a bank of global standing.

It is a ritual Midland went through exactly 10 years ago when it embarked on its disastrous acquisition of Crocker National Bank in California – subsequently sold for a loss of £1bn. This time the prospective partner is the Hongkong and Shanghai Bank. Nobody expects the new deal to be a similar disaster. But it does beg the question of what, if anything, has really changed at Midland despite all the agonies and upheavals it went through in the 1980s.

"Here we go again" was the recent comment from one of its more seasoned executives, not entirely in jest.

That Midland's results will be bad is not in doubt. Sir Kit McMahon, the chairman, put out a profit warning back in April. Since then the volume of UK company failures has risen sharply, culminating in British & Commonwealth against which Midland will have to make a £30m provision. But these are problems which all banks face.

What singles Midland out from the rest of the pack is that it always seems to have special problems of its own. Even though it has undergone a complete change of top management, divested itself of superfluous operations, raised more than £1bn in new capital and struck up with the Hongkong Bank, its capacity to find trouble continues undiminished. In the past year alone it has suffered two big setbacks: the loss of more than £100m from an ill-judged gamble on interest rates, and a huge seasonal outflow of deposits earlier this year which squeezed margins. Midland remains the weakest of the Big Four, and a constant source of anxiety to the rest of the banking industry.

Quite why this should be is a question which occupies many minds, both inside and outside Midland. The persistence of its difficulties has bred a brand of humour in the City, and has even prompted suggestions that it might be jinxed. But there must be answers, and for none more so than the Hongkong Bank which must decide by the end of this year whether to raise its 14.9 per cent stake and make Midland its long-term partner.

Gauging the strengths and weaknesses of a bank is a complex business because so much depends on intangibles like confidence and credibility. But there are three possible reasons for Midland's chronic ailments.

The first is that the late 1980s did not really mark the start of a new era at Midland at all, despite the high expectations created by the disposal of Crocker in 1986, and the subsequent arrival of Sir Kit from the Bank of England.

One aspect of the Crocker sale which was underplayed at the time was the fact that Midland was forced to take on Crocker's bad loans to facilitate the deal. That has now turned into a multi-billion-dollar millstone. Midland cannot afford to make the same level of provisions against the LDC debt as its peer group. Meanwhile, the suspension of interest payments by delinquent Third World countries represents a huge loss of income – up to £100m this year on the Crocker loans alone.

The cost and trauma of Crocker – sold for a £1bn loss – prevented Midland from making vital investments in its core businesses during the fast-changing 1980s

Furthermore, the cost and trauma of Crocker prevented Midland from making vital investments in its core businesses during the fast-changing 1980s. Thus, no matter how hard Midland strives to compete, it still carries the weight of mistakes which virtually ensures that it can never win the race.

The second reason is that Midland has been unable to make any headway in its perennial battle against the rising costs of its inefficient branch system. Last year its costs were equivalent to 72.4 per cent of its income. This was the highest level of the Big Four (the nearest was NatWest with 66.6 per cent) and way above that of agile new competitors in the high street such as Abbey National with only 45.2 per cent.

All the indications are that the cost ratio will increase still further this year. In the longer term, Midland does have an ambitious plan to deal with the problem by investing heavily in a new money transmission system which it claims will be the most advanced in the UK and will slash per cheque costs by two-thirds when complete in 1992. But given Midland's record, analysts are treating this promised benefit with caution. "I have never actually seen a bank come through with its anticipated cost or staff reductions," says Mr John Aitken of County NatWest WoodMac, the investment banking arm of NatWest bank. There is also the question whether Midland's huge investment might not end up being yesterday's technology, particularly if plastic cards drive out cheques.

The third reason for the ailment has to do with Midland's own image of itself as a bank of global standing. Midland has never been able to forget that it was, for a brief period between the two world wars, the largest bank in the world. Today, there is a deeply ingrained attitude that "Midland must recover its former glory." Even among hard-bitten executives who lived through the traumas of the last decade there is still talk of the bank being "a national asset."

What seems to be lacking is a more realistic sense of Midland's destiny, an acceptance that the bank is relatively small in global terms (it ranks about 40th in terms of assets) and would probably do better to lower its sights rather like Lloyds Bank, which has made a virtue – and a success – of its retreat into the home market.

Midland's grand vision goes some way towards explaining why it is so keen on the link-up with the Hongkong Bank. A marriage would create the 10th-largest bank in the world with major operations on all the continents. But this has also created unease among some executives who wonder whether Midland might not be blinding itself to more vital considerations, such as profitability and effectiveness. "Will we be creating a global bank, or just a dinosaur?" asks one of them.

What compounds Midland's problems is that the pressures bearing down on it are very effective at exposing management weaknesses. Last year's interest rate disaster is widely seen as an indication of the great – even desperate – lengths to which Midland has to go to find profits. Although Midland was not alone among the clearers in positioning its book in the way it did, it was classic that it should have ended up the biggest loser. Since then, Midland has used the hedging market to cap its losses. But again, there is irony in the fact that that same action will prevent it from benefiting from any fall in UK interest rates this year.

Perhaps the biggest casualty of Midland's failure to stamp out trouble is the reputation of Sir Kit McMahon, the man who personified the hopes of a new era, but who now stands firmly in the firing line in his dual role as chairman and chief executive. While Sir Kit's intellectual abilities remain undoubted, people have begun to question the depth of his commitment to Midland, and of his rapport with the clearing bank culture. Increasingly there is talk in the City about central bankers making poor commercial bankers.

Not that Sir Kit is seen to be failing through lack of energy or innovation. All the actions he took in the late 1980s were highly praised at the time. Under his guidance, Midland has also been among the most inventive of the clearers, coming up with new products such as Firstdirect, the UK's first bank-by-telephone service, and a wide range of new bank accounts. Some previously flagging parts of the group, like Samuel Montagu, the merchant bank, have moved ahead strongly.

The indications are that a deal is on. Midland handed over its Hong Kong operations to the Hongkong Bank, and the two have linked their cash machine systems

In selecting his lieutenants, he has also tried to shake out the stuffy clearing bank culture by importing people with wide international experience, like Mr George Loudon, the Dutchman who runs Midland Montagu, the group's investment and corporate banking arm, and Mr Gene Lockhart, the American management consultant and systems expert recently appointed to head the clearing bank.

But many of these moves are now criticised as being too advanced, or lacking in sureness of touch. Some of Midland's new products seem to be too complicated or built around innovation for its own sake rather than their customer appeal. Adding to the turmoil has been a revolving door at the top of the bank, particularly the clearing bank which has had four chief executives in five years. There are also worries that neither Mr Loudon nor Mr Lockhart are really suited to head what remains a deeply-rooted British institution. "Mr Lockhart will work his arse off, but he's not one of us," was one comment.

None of which makes decisions any easier for Mr Willie Purves, the chairman of the Hongkong Bank, as he weighs the future, though his exact thoughts must be a matter for conjecture since he is not currently sharing them with the outside world.

However, his own perspective on Midland will be somewhat different, probably less gloomy. For one thing, he will attach much more importance to Midland's stable political environment – something the UK market tends to take for granted. For another, his own bank is going through a rough patch too, and this might make him more eager to secure a partner. The Hongkong Bank recently had to inject $300m into Marine Midland, its US offshoot, to plug a hole caused by property losses. The bank has also had trouble with James Capel, its loss-making UK stockbroker, and its loans to Australian entrepreneurs.

By the same token, though, this should also make the Hongkong Bank less attractive to Midland, which needs a source of financial strength as much as anything. But the indications are that a deal is still on. Midland recently handed over its Hong Kong operations to the Hongkong Bank, and the two have just linked their cash machine systems. According to people at Midland, a decision ought to be made by October so that any deal can be announced in plenty of time for the year end.

But will a marriage finally exorcise the Midland jinx? What can be said with certainty is that a break-off of the engagement will not solve any of Midland's fundamental problems. The bank would remain as it is now, hard-pressed and financially weak. And although there is said to be a Plan B if Plan A fails, it would have to be very ambitious to re-motivate staff and keep takeover speculation at bay.

A marriage, on the other hand, would dilute Midland's financial and managerial problems in those of a larger entity, and give it the breathing space it so badly needs. In the long run this would probably be more valuable to it than becoming part of a geographically more extended group at a time when many of the world's largest banks are retrenching. Either way, Midland would find it difficult – if not impossible – to continue much longer in its present form.

OBSERVER

The end is nigh

■ There are still a few months to go, but it has yet to happen. The Great Depression of 1990 has supposedly been on its way ever since Dr Ravi Batra wrote a best-seller with that title in 1985. The book confidently predicted a slump of the same, or even greater, magnitude than the 1930s, lasting from 1990 to 1996. Of course, Dr Batra could yet be proved right but some of his specific predictions look very shaky.

"At the end of 1989 or in the first half of 1990, the stock market will crash and will be followed by an abysmal decline in business activity and a sharply higher rate of unemployment" he wrote. Alas, here we are already in the second half of 1990; Wall Street is at an all time high and London is not far behind.

Batra, like many other professional gloom merchants, was a firm believer in long economic cycles. "Major variables in the US economy tend to repeat themselves every six decades, or roughly every 59 to 61 years" he argued, citing the close resemblance of the early years in the 1920s and 1980s.

Other forecasters, such as Bob Beckman, have built gloomy forecasts round variants of the long wave theory, best known from the works of the 1920s' Soviet economist, Nikolai Kondratieff. He noticed cycles of boom and slump lasting fifty to sixty years which is why, during the years surrounding the sixtieth anniversary of 1929, the pessimists have been out in force.

Another prime example is Paul Erdman, who has made a lucrative career out of novels such as The Crash of '79. But his record of real-life predictions is none too impressive; witness his forecast of a "cataclysmic crash" in February or March 1989.

But even if we make it into the 1990s without a recession, and the arguments for a Kondratieff cycle start to look less and less convincing, it would be unwise to expect the Cassandras to desist. After all, a new millennium is fast approaching.

Staying on

■ Another person facing problems with his predictions is Sir David Wilson, the 55-year-old governor of Hong Kong. He recently said on a BBC World Service phone-in that he thought he would not still be in the post on the night of June 30, 1997 to hand Britain's last major colony back to China. Ten years in such a job, he said, was too long.

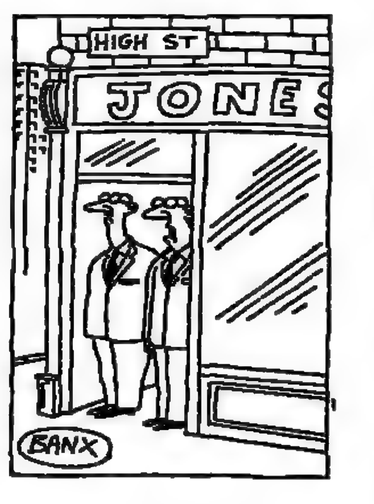
This led to renewed rumours that he has his eye on a plum ambassadorial post to crown his career. So yesterday he uncharacteristically went on the record to state that he had told the government when he was appointed three years ago that he "would not wish to have another FCO job after Hong Kong".

His statement was intended to squash the rumours – but it also undermines London gossip that he is to be shifted next year. Best bets in Hong Kong are that barring a major political groundswell against him, he will go around the normal FCO retiring age of 60 in 1994 or 1995.

Sir David could then be replaced by a more political figure for the final years. One possibility could be Sir Geoffrey Howe, when (if ever) he gives up his prime ministerial ambitions.

Site unseen

■ Perhaps by the time Hong Kong gets a new governor, the Civil Aviation Authority will have decided on the site for London's next runway. After two years of intense effort, the CAA yesterday published a 244-page report on the issue, complete with tables, charts and maps. The result of all this labour was to reduce the number of possible locations for the runway from eleven to the startling number of eight.



"You know what I miss? Whistling 'Hey, Big Spender'."

Mr Cecil Parkinson, the secretary of state for transport, now has to make a choice between the sites at a time of growing environmental consciousness. But given the political advantages of procrastination, Mr Parkinson may take as long to make up his mind as the CAA took to write the report. His dynamic decision yesterday to set up of a working group to explore the issues will no doubt postpone any need to choose a site until after the next election.

Cannons off

■ One man who is used to moving with rather greater speed than the CAA is Ron Clarke, the Australian athlete. He set 18 world records during an eight year running career from 1962 to 1970. This week, almost exactly 25 years after he became the first man to run three miles in under 13 minutes, he acquired Cannons Sports Clubs (UK) in a management buyout.

The £12m MBO, led by Kleinwort Benson Development Capital, will allow Clarke to buy the Cannons clubs in the City – a regular haunt of overweight FT hacks – and Covent Garden. The City club has been overshadowed recently by the massive development over Cannon Street station. But the club has also had a rebuild and says it will shortly be able to admit new members to its waiting list for the first time in several years.

Canary aisles

■ Perhaps running as fast as Ron Clarke is the best solution for those City folk seeking the quickest way to travel to Canary Wharf. The debate about the driving time from the Bank of England to the new office complex continues, after an item in this column two weeks ago.

A Peat Marwick survey claimed a rush hour average of 11 minutes for the journey but a baffled reader has since written in ask for details of Peat's route. His all-time record was 15 minutes and the normal time was 20 minutes.

Can the dispute ever be settled? Mr Elliott Simmonds of medical consultants IMIC says that if Peat revealed its route to the world, it would never be able to achieve the same speed again. Peat has not let the secret slip to cabbies. One FT reporter who decided to settle the debate by timing his taxi found the result was a depressing 25 minutes.

Unpredictable

■ The prize for the 1990 prediction least likely to come true goes to Old Moore. The sage's forecast for August 1990 was that "David Owen will bounce back to become regarded as a dominant figure in centre politics."

Brittle bonds of friendship

Anglo-German relations are undergoing a bitter adjustment, reports David Marsh

"For 300 years the history of our continent has been basically determined by England's attempt to obtain the necessary protection in the rear for great British aims in world politics through balanced, mutually interlocking relations of power . . . . The more difficult England's situation became, the more necessary it seemed to the leaders of the British empire to keep the individual state powers of Europe in a state of general paralysis resulting from mutual rivalries." – Adolf Hitler, Mein Kampf, 1925, 1927

"We've always played the balance of power in Europe. It has always been Britain's role to keep these various powers balanced; and never has it been more necessary than now, with Germany so uppity." – Nicholas Ridley, The Spectator, 1990

Last week's outburst by Mr Nicholas Ridley has succeeded in restoring some enduring clichés about Britain's relationship with the country previously ranked as its most important ally on the Continent. Mr Ridley has resigned, and the Bonn Government says officially that the affair is settled.

Chancellor Helmut Kohl, in rollicking form at his press conference in Bonn yesterday, said: "Write in your newspaper that we haven't taken this badly." But the postwar bonds of friendship and understanding between Britain and Germany – especially in the light of the new German-Soviet rapprochement are now looking brittle indeed.

Anti-German propaganda in the UK, a wholly justifiable weapon in time of armed conflict, was an essential condition for Britain's victory in the Second World War. The residue of anti-Germanism – rather like Britain's cherished status as an "independent" nuclear weapons power – has since acquired an almost desperate element of self-perpetuation. And it has flared up again at a time when the UK is looking with unease at the resurgence of the new Germany.

Britain's caricatural fears about German leaders marching over the Continent in spiked helmets are not important enough to alter Germany's course towards reunification – especially since this now has the blessing of Mr Gorbachev. But they are likely to be sufficiently powerful to undermine Britain's influence and restraint on a renascent German nation – whatever the future state of European integration.

Mr Ridley's weekend exit coincided with the leak of the devastatingly one-sided Whitehall memorandum drawn up after Mrs Margaret Thatcher's Chequers discussions in March with historians and experts on Germany. This was printed on Sunday, notably in The Independent, but also, in full, in *Der Spiegel*. So the Hamburg-based news magazine's 5m readers now have a full insight into the British Government's analysis of their collective character defects.

Among the less unpleasant of these faults, a little up the list from "angst, aggressiveness, assertiveness, bullying, egotism, inferiority complex, sentimentality," was recorded "a strong inclination to self-pity." Mr Rüdiger von Wechmar, the shrewd and humorous former West German ambassador in London (up to the end of 1988) admits that self-pity is indeed an attribute of his compatriots. Now he can be forgiven for indulging in it. "I'm rather glad that I'm no longer the ambassador," he says.

Mr von Wechmar recently took exception to remarks, quoted in the German press, by Mr Norman Tebbit, former chairman of the British Conservative Party, who compared the Bundesbank to a "Panzer." Mr von Wechmar wrote to Mr Tebbit accusing him of "nonsense." Mr Tebbit replied that this was a misunderstanding. After reading Mr Ridley's interview, Mr von Wechmar is no longer sure whether this was really the case.

Once suspicion finds a borehole, it can tunnel deep. Germany's right to eventual reunification – with "a liberal-democratic constitution," and "integrated within the European community," to use the words of the 1955 Deutschlandvertrag – was at the centre of Britain's policies towards Germany during the 1950s and 1960s. Mr Anthony Eden, Britain's Foreign Secretary, told the four-power conference in Berlin in 1954. "So long as the Germans remain artificially divided, there can be no unity or stability in Europe." A British government document published just after the building of the Berlin Wall in 1961 recorded: "The Germans would regard it as a betrayal of the alliance if Britain and the other western powers were to accept the division of Germany as permanent."

Many Germans are now asking whether these were simply honeyed platitudes, no longer to be trusted – along with what else besides? In Cambridge in March – five days after her Chequers meeting – Mrs Thatcher attended a dinner at St Catharine's College to celebrate 40 years of Anglo-German friendship at the annual Königswinter conference. "You need another 40 years before we can forget what you have done," she told another former German ambassador, who wrote the words down lest they might indeed slip out of his mind.

Mr Thomas Kielinger, editor of the weekly newspaper Rheinischer Merkur, and a frequent attender at the annual Königswinter events, asks whether Britain may have a "Jekyll and Hyde" attitude towards Germany. "You treat her with friendliness during the day, but after hours, cut loose with the old archaisms."

Mr Ridley got on well enough with Mr Helmut Haussmann, the West German Economics Minister, when he came to visit him in Bonn last October. "It was a good atmosphere – wide-ranging agreement," recalls one German official. At a press briefing afterwards at the residence of the British ambassador, at which this writer was present, Mr Ridley praised the "charming and excellent" nature of his talks. He said: "There is practically nothing where we diverge – it is a harmonious relationship" – almost as though he were anticipating the sanctimonious conclusion of the Chequers memo, "We should be nice to the Germans."

Foreign governments' analyses of German character defects have never been a very good guide to policy. Mr James Gerard, US ambassador in Berlin at the beginning of the First World War, wrote that "heavy eating and large consumption of wine and beer" made the Germans "aggressive and irritable." Sir Nevile Henderson, Britain's ambassador before the Second World War, wrote of Hitler's Reichsmarshal Hermann Goering, "However little compassion he may have had, like so many Germans, for his fellow men, he loved animals and children."

Mr Michael Stürmer, head of the Bonn-backed foreign policy think-tank Stiftung Wissenschaft und Politik, knows personally all six of the experts who sat down with Mrs Thatcher at Chequers. Yesterday he called the leaked memo a collection of "national stereotypes. It was very poor."

This, and the Ridley affair, "will not have a lasting effect on Anglo-German relations. Realities are much more important," Mr Stürmer said. But he added: "Britain and Germany are going through a very bitter period of adjustment to the enormous transition in Europe. There will be more bitterness to come."

Capital gains and the balance of payments

Why sterling has to go

By Cliff Pratten

Official estimates of Britain's overseas assets and liabilities at the end of 1989 show a surplus of assets over liabilities of £110bn, equivalent to 25 per cent of GDP in 1989. At the end of 1979 Britain's net external assets were valued at £12.4bn, equivalent to only 7 per cent of GDP. How was this nine-fold increase in net assets achieved?

The cumulative balance on Britain's current account from 1980 to 1989 was minus £17.3bn. But there is a notorious black hole in Britain's balance of payments accounts. The accounts do not balance and the cumulative balancing item during the 1980s was £55bn. Unrecorded net exports may contribute to the balancing item; any additional net exports would reduce the cumulative deficit on Britain's current account, but the main explanation for the balancing item is likely to be unrecorded capital flows. If this is the explanation then Britain's liabilities have been under-estimated in official statistics and if liabilities are under recorded by, say, £40bn at the end of 1989, Britain's net assets would be £70bn not £110bn.

The other source of the increase in net assets between the end of 1979 and 1989 was capital gains. These capital gains were estimated at £60bn, of which no less than £33bn occurred in 1989.

The methods used by the Central Statistical Office to measure Britain's net assets and capital gains lead to an under-estimation of both. Direct investment which is mainly subsidiaries of UK based companies and which is an important component of overseas investment is valued at book values. Changes in exchange rates are reflected in book values but not increases in the value of retained businesses. The procedure has perverse results; UK companies often write off the excess of the price paid for acquired companies over the book value of the assets acquired. Between the end of 1984 and 1987 such write-offs resulted in recorded capital use of nearly £10bn on Britain's overseas investments.

If direct investments were valued in terms of the prices of UK shares of companies which invest overseas, the values would be doubled. This estimate is based on a study of 75 companies whose overseas investments account for nearly half Britain's direct investment overseas. If the same multiple is used for direct investment in the UK, the net effect is to increase Britain's net assets by £40bn. Coincidentally this is the same amount as the adjustment for unrecorded liabilities, but it has the opposite sign and the two adjustments cancel out. The increase in values of direct overseas investments reflects unrecorded capital gains, about £35bn of which occurred during the 1980s. In total Britain's net capital gains on overseas investment were approximately £95bn during the 1980s. By the end of 1989 Britain's net equity investments overseas were about £180bn.

Are the capital gains in 1989 a flash in the pan? World stock market prices rose and sterling fell during 1989, but those are not the only explanations for the larger capital gains.

Britain's net external assets have increased nine-fold since 1979 and so it is plausible that capital gains, taking one year with another, have increased. Also a change in the balance of Britain's assets affects capital gains. In effect Britain has increased its equity investments and borrowed to finance the investment. The dividend yield on the equity investments is far lower than the interest payments on the borrowing, but the investments are made with the expectation of capital gains. The dividend receipts and interest payments, but not the capital gains, appear in Britain's current account, pushing down the invisible and overall current account balance.

It might be argued that capital gains are so uncertain or erratic, they should be ignored – a crash on stock markets could wipe out many earlier gains. This problem is familiar to companies selling life insurance policies and pension schemes; they do not ignore capital gains when setting premiums. Similarly, capital gains on international investments should not be ignored when assessing the balance of payments and setting economic policy.

The dividend yield on UK investment overseas is about 4 per cent. The expected real capital gain on equity investment overseas, taking one year with another, is about 4 per cent, and the inflation gain for 1990, about 6 per cent – 3 per cent for world inflation and 3 per cent for extra UK inflation (based on the underlying rather than the actual rate) which will result in an equivalent devaluation in the long run, giving an overall return of 14 per cent, 10 per cent of which is capital gains. On Britain's net external equity assets this indicates capital gains of £18bn for 1990; similar in magnitude to the expected deficit on Britain's current account. Does this mean that the balance of payments problem is a myth? Before we can answer this question we must stop and consider the qualifications to the figures described.

Capital gains attributable to inflation, £11bn (6 per cent of £180bn) have been included as capital gains. If these gains are used to offset the current account balance of payments deficit the value of Britain's net external assets will fall in real terms. However, there is a partial offset of about £5bn; with UK inflation faster than that in other lending countries in 1990, interest rates on sterling borrowing by UK banks and other UK residents from overseas were higher and the real value of Britain's short-term liabilities will be reduced.

For individuals, £1 obtained by a capital gain is as useful as a £1 of dividends or a pound received as a wage or salary. Is the same true at an international level? There are differences between exports of, say, Jaguar cars and capital gains on Britain's overseas investments. The principal difference is that capital gains are not repatriated like the proceeds of exports which are used to pay wages and pay for materials and components. A deficit on the current account offset by capital gains could leave the UK with a liquidity problem. Britain has to borrow to roll over the existing short-term loans which finance part of its overseas investment, and the deficit on the current account and new overseas investment adds to this borrowing requirement. Unrealised capital gains do not offset it and could leave Britain with a liquidity problem. Even here capital gains have increased Britain's net external assets and help give the UK credibility as a borrower, and, in fact, Britain's short-term financial liabilities are not large in relation to its external assets.

In conclusion, the conventional focus on transactions in the balance of payments accounts and the frequent omission of any reference to stocks of assets and liabilities and capital gains imparts a gloomy bias to perceptions of Britain's balance of payments. During 1989 capital gains on Britain's overseas investments more than offset the deficit on the current account. This was not a flash in the pan. Given the level of Britain's overseas equity investments and taking one year with another, capital gains of the order of £12bn a year (or 2½ per cent of GDP valued at factor cost) can be expected to offset much of a current account deficit at its present rate. Britain's potential balance of payments problems relate to liquidity and any further loss of competitiveness brought about by joining the ERM at too high an exchange rate. Membership of the ERM will exacerbate liquidity problems because it will limit the extent to which sterling can be devalued to relieve pressure. The long-term cure for the liquidity problem and the threat of a run on sterling is to join the European Monetary Union and get rid of sterling.

The author is a senior research officer in the Department of Applied Economics, Cambridge University, and a fellow of Trinity Hall.

THE UK BALANCE OF PAYMENTS (£bn)

Net overseas assets at the end of 1979	+ 12
Undervaluation of direct investment at end of 1979, say	+ 5
Current account deficit during the 1980s	– 17
Unrecorded net exports during 1980s, say,	+ 15
Capital gains during the 1980s	+ 95
Net assets at end of 1989	110
Of which:	
Equity assets	180
Net lending overseas in foreign currency	44
Less overseas borrowing denominated in sterling	112
Expected current account deficit in 1990	16
Expected real capital gains for 1990*	12

*Taking one year with another. Source: Estimates compiled by author.

LETTERS

Houston: more of a laser show than a cold light

From Mr Harry Freeman.

Sir, Your editorial comment on the Houston summit ("A cold light on Houston," July 13) is certainly right in directing the light on the trade talks but the beam principally misses the mark in its dim conclusions. A completely different set of inferences can come from the same facts, and that would be something like this:

The summiteers in Houston, unlike previous summits, actually discussed seriously one of the world's most important subjects – should we have a rule-based world trade regime in the 1990s and beyond? They concluded unanimously that a rule-based multinational trading system was very much in the world's best interest, and said so . . . on the record.

President Bush, to his credit, realised that the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) has become central to world economic policy and that its *success or failure* this year has become increasingly important to the future of the world economy. He also realised that the agriculture subsidy negotiations had ceased being negotiations and become intractable, with the European Community on one side and the US, the Cairns Group, and many less developed countries on the other.

Given the fact that the agriculture issue has become the *sine qua non* of the trade negotiations, President Bush, as host, ranked it as his top priority. Such a move was a high-risk, high-reward strategy. I do not recall any previous summit where such a detailed subject was on the agenda and actually received so much attention, debate, and length in the communique.

The result was a victory for proponents of a successful conclusion of the Uruguay Round. A successful conclusion may be defined as substantial progress in all 15 negotiating areas, including agriculture; apparel and textiles; the "new" areas of services, intellectual property and trade-related investment; market access; lower tariffs; the dismantling of non-tariff trade barriers; and the reform of the Gatt mechanisms.

Was the Houston summit truly a success? When the Uruguay Round of Gatt negotiations is the most important subject at a Group of Seven summit, that is success. When the G7 leaders, plus the President of the European Community, join in what appears to be the longest communiqué in memory, and certainly the longest text on trade principles, that is success. When they commit themselves to be personally involved to secure a timely and successful conclusion, that is success. And when they define all areas in precise terms and personally push for breakthroughs, that is success.

And look at the parties: Chancellor Kohl and President Mitterrand have personally endorsed significant progress on the agricultural subsidy issue . . . on the record. This is quite an admirable commitment for the German Chancellor when all-German elections are expected within months.

True, the statement on agriculture did not call for elimination of the much debated agricultural subsidies but only progressive reduction. All believe that tough bargaining still lies ahead. But, this statement gives the much needed political impetus to resolve the agriculture subsidy issue.

Since the Uruguay Round began in 1986, the revolution in central and eastern Europe has started. The Gatt is not just for its 98 members (97 plus newly joined Venezuela) but also a model and target for central and eastern Europe countries, the Soviet Union, and the People's Republic of China (the last two now have observer status at the Gatt).

The Houston summit was truly more of a laser show than a cold light.

Harry L. Freeman,
The Freeman Company,
1133 Connecticut Avenue, NW,
Washington DC

Short-termism and earnings per share

From Mr David J. Collison.

Sir, There is a widely held belief that the pursuit of earnings per share (EPS) growth in the short term can have an adverse effect on business decision making.

Mr Tony Thatcher, chief executive of the Dowty Group, spoke of "the national obsession with incremental increases in earnings per share on an annual basis" at the recent Innovation & Short-Termism conference organised by the Trade and Industry Department and the FT.

It is arguable that company management is judged and rewarded in a way which requires undue focus on short-term EPS growth. Clearly this influence may result in the deferral of expenditure, whose benefits will accrue in future periods.

EPS is a very convenient measure of performance but it requires an equally convenient counterpoise if its influence is to cease being perverse. Such a counterpoise should emphasise the influence of the current year's operations on future benefits. Thus a figure of "investment per share (IPS)," if it were given as much exposure as EPS, might help to level the short-term versus long-term playing field.

The "investment" to be reported should, perhaps, be less beholden to the prudence concept than is generally accepted capitalisation practice. Thus research and development, training and marketing, plus conventional capital investment, could make up the numerator of such a measure.

David J. Collison,
Department of Accountancy and Business Finance,
University of Dundee

Sterling and the exchange rate mechanism

From Mr William Ledward.

Sir, Your recommendation ("The rise of the pound," July 12) that sterling should join the wide band of the exchange rate mechanism (ERM) with "the present (D-Mark) rate close to the floor," forgets that in joining the ERM the pound will be linked against not only the D-Mark but also against the other eight ERM currencies. As long as the peseta remains at the top of its permitted ERM trading range, the choice of sterling's floor against the D-Mark is severely limited.

For example, a floor of DM 2.90 = £1 (compared to the current market rate of DM 2.97 = £1) would leave sterling about 3.5 per cent below its floor against the peseta of Pta 188.5 = £1 (assuming no peseta revaluation). On the Monday following the pound's entry, its market rate would appreciate so as to be above the peseta floor. It is against current policy for a realignment or currency entry to force such an abrupt, over-the-weekend change.

The highest D-Mark floor that is consistent with current market exchange rates would be DM 2.801 = £1. As you suggest, entry with such a floor would probably be followed by a rapid and sizeable appreciation of sterling.

If the European Monetary System authorities wanted to avoid this, the pound would have to join the ERM with a much lower floor, perhaps DM 2.684 = £1. This would give a central rate of DM 2.85 = £1 and a ceiling of DM 3.026 = £1.

William Ledward,
Senior European Economist,
Nomura Research Institute Europe,
24 Monument Street, EC3

No threat of Tory rift over Europe

From Mr William Cash MP.

Sir, There is no threatened rift on Europe between the Cabinet and the back-benches ("Threat of Europe rift between Cabinet and back-benches," July 16).

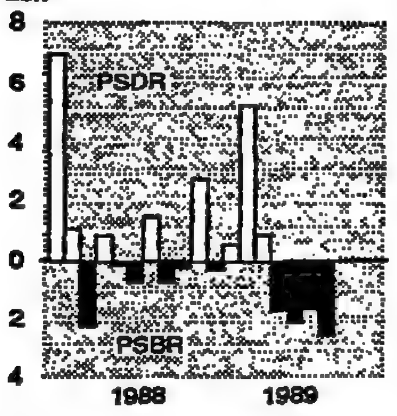
Indeed, far from this being so, my very recent early day motion supporting the Government and John Major's new proposals for an optional common currency and recognition of the need for a wider Europe rather than a hard-core federal Europe attracted very substantial support from left, right and centre of the parliamentary party. The same can be said of John Major's speech at Llandudno on July 6 which rejected the idea of an unelected and politically unaccountable central bank running the economy of Europe.

My Bow Group pamphlet on the subject, published two weeks ago, sets out my own views in full.

William Cash,
Chairman,
Conservative Backbench Committee on European Affairs,
House of Commons,
Westminster, SW1

FINANCIAL TIMES
Wednesday July 18 1990

Public sector finances



Government borrowing in UK highest for 9 years

By Andrew Marshall and Philip Stephens in London

A SURGE in UK government spending and the effects of the new poll tax sent government borrowing to a nine-year high in the first quarter of this financial year.

The news will reinforce a warning to spending ministers by Mr John Major, the Chancellor, at tomorrow's Cabinet meeting that their current bids for expenditure levels next year are unacceptable.

The public sector borrowing requirement for June was £2.6bn, the highest since March 1988, and double the City of London's average forecast. It compares with a deficit of £700m in June last year.

Coming after a series of high monthly figures, this makes the deficit £6.5bn for the first quarter of the financial year 1990-91. This is the highest since 1981 and compares with a small surplus of £20,000 in the same quarter of the last financial year. The Government's target for the current financial year is a surplus of £7bn.

Privatisation proceeds were zero in the quarter, compared to £1.8bn the year before. Higher lending to local authorities to mitigate the effect of delays in poll tax payments accounted for another £2.7bn, the Treasury said. This should be reversed as poll tax revenues come in.

A further £0.8bn is due to front-end loading of the local authority grant – again to mitigate the effect of poll tax payments. In theory this, too, should even out over the year. Various other special factors also raised central government spending, the Treasury said.

But government spending is also running ahead of target. Supply expenditure is increasing at an annual rate of about 13 per cent, compared to about 10 per cent projected in the Budget. "The Treasury is using the poll tax as a smokescreen. The real problem is departmental overspending," said Mr Peter Spencer of Shearson Lehman Hutton.

Higher than expected inflation is part of the reason but demands for extra spending on services have also contributed to the overshoot.

Revenue also increased faster than expected in the first quarter, which helped to disguise the spending overshoot. But City analysts warned last night that lower growth later in the year would reduce this while raising spending on items such as unemployment benefit.

The Government's target for the full 12-month period of £7bn look highly unrealistic, several analysts said, and many reduced their forecasts of the PSBR for this year. Some are now predicting an end to public sector debt repayment this year, and a return to borrowing.

This implies that new issuance of gilt-edged stocks could come sooner than expected and in larger quantities. The gilts market fell half a point on the news.

The Treasury said that though spending was running over expectations, it would even out over the financial year. Limits on expenditure will help to limit the spending overshoot, but will increase the battle over the Chancellor's Autumn Statement.

This was reinforced last night by a warning from Mr John Major, who told a private meeting of Conservative MPs that this year's public spending negotiations would be "the most difficult since 1981."

Spending ministers will be told at tomorrow's Cabinet meeting that their bids may delay further any cuts in borrowing costs and to eliminate the chances of tax cuts before the general election.

Ridley affair aftermath

Thatcher mends fences on Europe

By Michael Cassell, Political Correspondent, in London

MRS MARGARET Thatcher, the British Prime Minister, yesterday led government efforts to portray Britain as an enthusiastic European partner and to repair any damage inflicted on Anglo-German relationships in the wake of Mr Nicholas Ridley's outspoken attack on Germany and the Community.

In Parliament, Mrs Thatcher offered an enthusiastic endorsement of West Germany's contribution to the EC and Nato, describing them as "staunch allies" within both organisations.

She also quoted conciliatory remarks yesterday by Mr Helmut Kohl, the West German Chancellor, to help smooth over the impact of the Ridley affair.

Chancellor Kohl said he could understand Britain's concerns over Germany's role in Europe, given that it had put "its national existence at stake" in the fight against Hitler.

Mr John Major, the Chancellor of the Exchequer, told the Conservative backbench finance committee that Britain could not be "a bystander" as Europe developed.

Although he repeated Britain's opposition to any swift move towards a single currency, he emphasised that it was better to be inside Europe, leading it, than to be outside or following the rest.

Mrs Thatcher faced opposition accusations in the House of Commons that, despite Mr Ridley's departure as Trade and Industry Secretary, she still shared his views on European development.

Mr Roy Hattersley, the deputy opposition Labour leader, demanded an "honest statement" of her opinion and attempted to renew government embarrassment over the disclosure of a government minute concerning a seminar in March which included criticisms of the German character.

Mr Hattersley said that academics attending had subsequently claimed the minute, drawn up by Mr Charles Powell, Mrs Thatcher's private secretary, was "slanted" to reflect anti-German feelings. Everyone believed, he added, that her private secretary was not reflecting the opinions of experts but her own prejudices.

The Prime Minister said the conclusions of the seminar had been "highly constructive" and stressed that she had made a speech five days later, in which she had praised the Germans as "sound and loyal" partners and good friends of Britain.

addressed Tory peers. Kohl plays down "stupid" Ridley remarks, Page 2; Brittle bonds of friendship, Page 15; Editorial Comment Page 14

US semiconductor sale to Japan approved

By Peter Riddell in Washington and Louise Kehoe in San Francisco

THE CONTROVERSIAL sale of a US semiconductor production equipment and materials company to a Japanese company has been approved by the Committee on Foreign Investment in the United States, a high-level inter-agency government panel, over the strong objections of US semiconductor industry leaders.

The committee has sent a report to President George Bush recommending that the sale of Semi-Gas Systems, a California division of Hercules that produces gas delivery systems for semiconductor production lines to Nippon Sanso of Japan, be allowed to proceed.

Mr Bush has a further 15 days to reach a decision. Since the rules for examining foreign acquisitions were strengthened two years ago by the Exon-Florio provisions, Mr Bush has accepted the advice of the committee on each of the 10 occasions when a formal inquiry has been held to determine whether a takeover might threaten US national security.

The Semi-Gas sale has been the subject of intense debate in Washington and has become the latest test of US policy on foreign acquisitions of US high-technology companies.

Although the Administration officially opposes limits on foreign investment, the semiconductor industry has found some support for its argument that such sales undermine US international competitiveness in a technology critical to national security.

The committee's decision comes just as the Administration is about to decide on the final version of the Exon-Florio rules, which have been in draft version for a year. Foreign investors have pressed, apparently unsuccessfully, for a more specific and limited definition of national security, while there has been a battle for control of the committee, with the Commerce Department wanting a greater say in relation to the Treasury.

Sematech, the government-industry semiconductor research and development consortium in Texas, has expressed strong opposition to the deal.

Semi-Gas has worked closely with Sematech to develop an advanced gas delivery system. In the process, Semi-Gas gained an "intimate knowledge" of Sematech's strategies and technologies, the consortium said. With the sale of the company, this knowledge may become available to foreign competitors, the group warned.

In a report to Congress last week the National Advisory Committee on Semiconductors, a group comprised of industry executives, also warned that increasing Japanese dominance in semiconductor materials and production equipment endangers "the continued success and health of the US semiconductor and electronic industries that rely heavily on viable semiconductor materials and equipment companies that can provide the most advanced equipment."

The Semi-Gas sale is also the subject of a separate investigation by the anti-trust division of the US Justice Department which, in a precedent-setting move, is examining the potential impact of the sale on global, rather than only domestic competition.

Semi-Gas has around a 40 per cent share of the US market for gas distribution equipment for the semiconductor industry while Nippon Sanso is a major supplier of similar equipment in Japan.

French groups lead in cross-border mergers

By William Dawkins in Paris and Guy de Jonquières in London

FRENCH state-controlled companies have made many more cross-border mergers and acquisitions in Europe since the start of last year than nationalised groups from any other European country, according to a survey.

They were particularly active in the first quarter of this year, making 40 European deals with a disclosed value of Ecu2.52bn ($3.12bn) - 58 per cent of the value of all French deals in Europe, according to Translink's European Deal Review.

Last year, French state-controlled acquirers made 15 deals in Europe worth Ecu2.67bn, or 28 per cent of total European acquisitions by French groups.

The review by Translink, a small group specialising in data on cross-border deals, says that in no other country did state companies account for more than 5 per cent of total cross-border European acquisitions.

The trend has already aroused political sensitivity in Britain, by far the most popular target for French state-owned acquirers, which made eight takeovers there last year worth Ecu1.52bn.

The UK Government fears that it amounts to back-door renationalisation of companies it has privatised.

Mr John Redwood, the UK Corporate Affairs Minister, fired a shot across French bows last March by emphasising that such acquisitions would be closely scrutinised on competition grounds. He said that when a public-sector company proposed a merger or acquisition, the Director-General of Fair Trading would take account of the market share of all companies in that sector owned by the same government.

Translink acknowledges that the big first quarter rise in the value of deals by French state-owned companies was almost entirely due to Renault's Ecu2.12bn acquisition of a minority stake in Volvo of Sweden.

The French state sector's 28 per cent share of the country's cross-border deals last year was broadly in line with their weight in the country's industrial economy.

Furthermore, French companies generally have been more active than those in any other European country in making cross-border acquisitions in Europe. They made deals with a total disclosed value of Ecu9.62bn last year and Ecu4.34bn in the first quarter of this year.

The review argues that acquisitions by French state-owned companies are inimical to a level playing field because they are protected against takeovers.

** Translink study available from: 99 Bishopgate, London, EC2M 3XD*

Usinor-Sacilor plans US acquisition, Page 17

UK wants wider role for regional airports

By Richard Tomkins, Transport Correspondent, in London

CONSTRUCTION of a new runway at Heathrow, Gatwick or Stansted airports as a means of solving London's airport capacity problems appeared to be ruled out yesterday by Mr Cecil Parkinson, the UK Transport Secretary.

Rejecting a key finding of a two-year study by the Civil Aviation Authority (CAA), he instead suggested that Britain's regional airports could play a bigger part in relieving the overall pressure on capacity.

Mr Parkinson's views appeared to be aimed at defusing the intense political controversy which a decision in favour of runway building near London would have prompted in advance of a general election. But they will also cause concern in the British aviation industry because of the implied threat to London's long-term status as the world's leading international airline hub.

Mr Parkinson's statement came in a House of Commons written answer as the CAA published its 244-page report on possible locations for new airport runway capacity in south-east England. The CAA concluded that extra capacity equal to one new runway would be needed around the year 2005.

It said that to provide the capacity at regional airports would result in traffic being lost, and suggested eight options for providing capacity in or near the south-east of England. Three of these consisted of building an additional runway at Heathrow, Gatwick or Stansted, and the others consisted of intensifying use of the airports at Luton in Bedfordshire, Bournemouth in Hampshire, Bristol in Avon, or Lydd or Manston in Kent.

The CAA said passengers' first choice would be the development of Heathrow or Gatwick, but the Government would have to take into account political, environmental and social considerations before reaching a decision. It made no recommendations.

Mr Parkinson said the Government was "in no way committed" to the options identified by the CAA and announced the setting up of a working party to study them.

He said: "In its 1985 White Paper (policy document) on airports policy, the Government expressed its view that a second runway should not be built at either Stansted or Gatwick. The considerations which led to that view remain compelling."

The same environmental considerations which had given rise to those views, Mr Parkinson added, "are no less relevant at Heathrow."

Mr Parkinson added that there would be "no question of any major new runway development taking place without full public consultation and a public inquiry into any objections."

Czech oil supplies cut

Continued from Page 1

supplies. Mr Dlouhy said the advantage to Czechoslovakia – and other east European countries – of Soviet oil was that it could be paid for (under what is effectively a barter system) with relatively low-quality machinery.

Moscow would continue to require this machinery, even when trade was placed on a hard currency basis next January 1.

Czechoslovakia has contracted to receive nearly 50,000 tonnes of petrol from the west, Mr Dlouhy disclosed.

However, it was reluctant to buy more than was absolutely needed in order not to increase its low level of foreign debt.

One possibility would be for the country to seek oil from Syria, Libya and Algeria, each of which have outstanding debts to Czechoslovakia.

Another possibility would be to obtain oil from Iran through pipelines across the Soviet Union.

Mr Klaus said he held talks with leading western oil companies on possible moves if oil supplies from the Soviet Union were halted entirely.

"It could be that the west will do what it did in the case of Lithuania," he remarked, omitting the word "nothing."

● Czechoslovakia is negotiating with West German banks on a sizeable loan later this year, related to its economic reforms.

Polish problem solved

Continued from Page 1

covered by the first treaty.

Transitional arrangements for Soviet forces in Germany after unification were also clarified at yesterday's meeting, although it was not immediately clear whether they would last for three or four years.

Ministers from all the participating countries expressed confidence that the results of the Gorbachev-Kohl meeting and yesterday's discussions in Paris would speed up the conclusion of the "2 plus 4" talks.

The next scheduled ministerial meeting in Moscow on September 12 might even be the last, whereas another meeting in London had originally been foreseen.

A major contribution to the breakthrough, by general agreement, had been the outcome of the Nato summit in London at the beginning of this month.

Mr Roland Dumas, the French Foreign Minister and chairman of the conference said:

"No obstacle now remains for the establishment of a united Germany in full sovereignty by the end of the year. We have taken a decisive step towards a definite settlement of the German problem."

Mr Eduard Shevardnadze, the Soviet Foreign Minister, also spoke of "a turning point in world history" which had been reached as the result of "patient and serene diplomacy".

THE LEX COLUMN

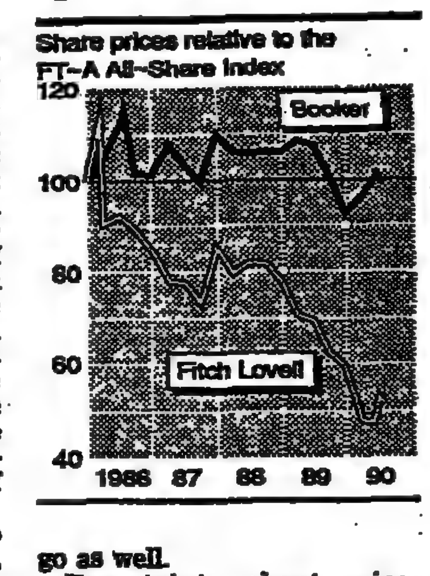
The return of the big spender

The date of the UK Government's re-emergence as a major borrower on the capital markets is fast approaching. Yesterday's figures showed a first quarter public sector borrowing requirement equivalent to an annualised £25bn plus. While that can be explained away by all sorts of funny factors such as delays in poll tax collection and the erratic nature of privatisation receipts, the gilt-edged market is right to be nervous. The authorities are borrowing more than they should at a time when the economy is beginning to show definite signs of weakening.

If the Government is to avoid tapping the market, there will have to be a sharp improvement in its finances over the next few months. The gilt-edged market is not going to like the stories about spending ministers wanting £17bn more than the Government's £192bn target for 1991/92. The Chancellor's response to these requests will prove the sternest test of his credibility to date. Any administration which is unpopular and occasionally divided will tend to lean towards the soft option to avert electoral defeat.

There is little reason to suppose that this Government is any different from others on this score. It still has plenty of extra assets it can sell, such as its £9bn stake in British Telecom. But a BT share sale ahead of the next election would smack of panic; and the assumption must be the authorities will want to resume issuing gilts when they can, rather than when they have to.

Share prices relative to the FT-A All-Share Index



Booker/Fitch

On the face of it, Booker's agreed bid for Fitch Lovell looks a fairly heroic enterprise. The £308m purchase price represents an historic multiple of 14 for a company which has just announced a 10 per cent drop in earnings per share. It will also push Booker's gearing up beyond 150 per cent. And there is no guarantee that the deal will get past the competition authorities.

Reading between the lines, however, it seems clear that Fitch is to be at least partly unbundled. Booker's business lies at the two ends of the food chain, in primary production and in distribution. It is therefore interested in Fitch's fish and food service businesses, but probably not in a food processing business like Jus-Rol. Fitch's problematic pigmeat businesses, including Millers and Robirch, could doubtless go as well.

Uncertainty about prices makes the deal hard to assess. But if Booker is to reach its year-end target of 100 per cent gearing and 7 times interest cover – together with zero dilution – it will need to sell at least £50m worth of assets. At most, the proceeds could be three times that. Thereafter, there are obvious savings to be made in combining the two food service businesses; and in fish, Booker can back its own hunch on market growth. Yesterday's mere 4 per cent drop in Booker's shares to 436p is a reasonable vote of confidence; but the market will be aware that this is not the best time to be selling corporate assets.

Junk bonds

RJR Nabisco is one thing: the US junk bond market is something else. The big run-up since mid-March in the prices of RJR's junk bonds, culminating in this week's successful refinancing, can be attributed to two things. One is the higher than expected proceeds RJR received from disposals like Nabisco's biscuit and crisp businesses; the other is the strong cash flow from tobacco. But it is rash to assume that all existing junk bond issues are in for a re-rating, or that the LBO is making a come-back, just because RJR has re-jigged its debt profile and the Fed has eased slightly.

There are some US junk-financed companies, like Playtex Family Products, whose paper now yields only 400 basis points over 10-year Treasury bonds. But this depends on the company possessing, like Playtex, safe cash flow from a basic industry. For every Playtex there is a Pan Am, whose junk yields 38 per cent plus. It only had $165m in cash at the end of the first quarter and not much else other than Heathrow landing rights. In any case, the scope for superior returns from junk debt is limited by the fact that the market is far more efficient than it was 10 years ago, when investors could make a packet from a one-time fallen angel like Toys R Us, which had been bust in the 1970s.

As for the LBO, one might see refinancing in 1990 in the junk market of some recent highly-leveraged deals such as Del Monte canned foods. But the smarter Wall Street money is not banking on a revival soon of the UAL bid, unless someone puts up a lot of equity.

Asda

If Asda is to prove a recovery stock, the market will have need of patience. Yesterday's 27 per cent drop in full-year profits and earnings was much as expected. But it was unsettling to hear that this year's interim pre-tax profits are likely to fall further, in spite of last year's first half having borne the brunt of the botched start of the new distribution system. The system is now apparently working splendidly; instead, Asda has to cope with the financial burden of the lately acquired Gateway superstores.

Some of the damage should be made good in the second half, with full-year expectations now running at £185m pre-tax against last year's £180m. But financing will remain tight; the cost of the new store programme alone should guarantee the business will be cash-negative before disposals. There is no doubt that Asda has large potential for recovery if its highly ambitious strategies come to fruition. But at yesterday's 118p, the shares are on over 11 times prospective earnings, which leaves only modest scope for further accidents.

RMC

RMC's admission that employees in Hertfordshire have been rigging the local ready-mix concrete market is not something for investors to panic about. The company involved was only one of 19 ready-mix subsidiaries in the UK; and though this is the second recent incident involving RMC, there is no suggestion of systematic naughtiness. But RMC might have spared itself some embarrassment if it had made the situation public itself, before the OFT sounded off so noisily as part of its campaign against anti-competitive goings-on in the building trade.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	–	–	–
Algiers	C	26	79
Amsterdam	C	17	63
Athens	S	32	90
Bahrain	S	37	99
Berlin	C	18	66
Biarritz	C	22	72
Bombay	F	28	84
Bordeaux	S	27	82
Boulogne	F	22	73
Caracas	C	29	84
Casablanca	S	27	81
Chicago	C	21	70
Cologne	C	18	66
Copenhagen	C	18	66
Faro	S	27	82
Florence	S	30	86
Frankfurt	F	21	70
Geneva	F	27	81
Gibraltar	F	26	79

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

INSIDE

MAN pulls out of Enasa bid

The West German commercial vehicle maker and engineering group MAN has withdrawn from negotiations for the takeover of Enasa, the Spanish state-owned truck producer. On Monday the West German Cartel Office blocked a deal under which MAN, West Germany's second largest truck maker, would have led a consortium takeover of Enasa along with Daimler-Benz as a minority partner. Before MAN's withdrawal, Daimler-Benz announced it would be taking over the leading role in the negotiations. Page 18

European thirst helps Coca-Cola

Strong growth in European volume sales has fuelled a 18.6 per cent rise in second-quarter net income at Coca-Cola, the US soft drinks manufacturer. Gallon sales of Coke rose 14 per cent in the European Community, led by Spain with a 42 per cent increase, and the UK, up 20 per cent. Page 20

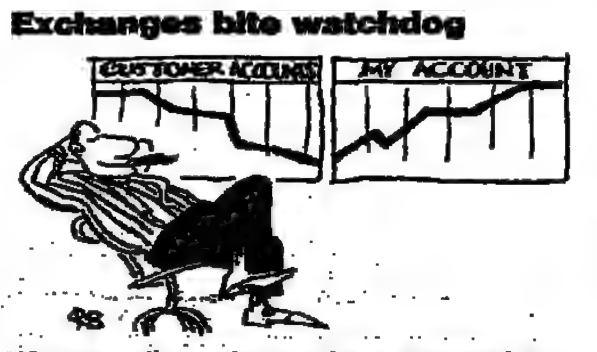
US securities groups improve

Second-quarter earnings from two US securities houses, Merrill Lynch and Paine Weber, showed distinct improvements compared to a very difficult first quarter. However, firms are still suffering from reduced takeover activity, reports Janet Bush. Page 20

Asda profits fall by 27%

High interest charges, weak furniture sales, and distribution disruptions have cut annual profits at Asda, the UK supermarket chain by 27 per cent. John Hardman, chairman (left), claims Asda has improved its position this year after buying 60 superstores from rival chain, Gateway. Page 24

Exchanges bite watchdog



US commodity exchanges have protested to their regulatory body, the Commodity Futures Trading Commission, about a proposed ban on dual trading – the practice of brokers trading on their own account as well as for customers. Dual trading, of particular importance to the liquidity of smaller exchanges, has come under heavy fire since an FBI investigation into fraud in the Chicago futures pits. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Bayer-Verein	447.3	+	13.3	Lafarge Coppee	477.1	+	16.5
Industriekredit	302	+	22	UAP	617	+	32
Rosenthal	398	+	13	**Falls**			
Falls				Accor	981	−	29
Altana	571.5	−	63	Afrique Occid	516	−	18
Hapag Lloyd	415	−	35	Fromageries	2270	−	70
Preussag	421	−	11	Vallourec	311	−	14
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Chevron	75⅞	+	¾	Jujo Paper	870	+	100
First Brands	28¼	+	½	Tottoku San-I	3180	+	490
Honeywell	110⅛	+	3⅞	Union Optical	2300	+	250
Wells Fargo	80	+	1⅝	Yuasa Trading	975	+	100
Falls				**Falls**			
Bank Of N.York	29⅛	−	9¼	Koike Sanso	1390	−	110
United Telecom	28⅛	−	9¼	Nasu Denki-Tek	2050	−	150
LONDON (Pence)							
Rises				Tesco	241	+	5
ASDA	118	+	4	Welsh Water	170	+	5
Aegis	272	+	6	Water Package	1515	+	27
Barclays	419	+	8	**Falls**			
Cable & Wire.	558	+	9	Asprey	390	−	15
Campari Intl.	230	+	24	Berisford Intl.	50	−	6
Courtaulds	389	+	11	Canton Comm.	420	−	15
Fitch Lovell	297	+	76	Eurotherm	251	−	19
Higgs & Hill	398	+	17	Harrison Inds.	100	−	23
Hunterprint	38	+	10	RMC	683	−	19
Mowlem (J)	337	+	7	Reuters	1282	−	32
Nth. West Water	158	+	7	Securiguard	265	−	68
Royal Insurance	505	+	9				

Usinor Sacilor to buy Edgcomb of US

By William Dawkins in Paris and Martin Dickson in New York

USINOR SACILOR, the French state-controlled steel company, is planning to buy Edgcomb, one of the biggest independent steel merchants in the US, with sales of $600m last year.

The deal, which would be the French company's eighth US acquisition in two years, continues its strategy of improving its downstream marketing and distribution activities. It comes a month after Usinor Sacilor bought a minority stake in ASD, Britain's second largest steel stockholder.

Usinor Sacilor is not disclosing a price for its takeover of Edgcomb, which was bought only in June last year from its manager-owners by Blackstone Capital Partners, a leveraged buy-out fund run by the New York-based Blackstone corporate finance boutique.

Mr Frederick Beilstein, executive vice-president and chief financial officer of Edgcomb, said Blackstone was selling now because the price offered was "appropriate" in terms of Edgcomb's present earnings and near-term earnings prospects. The French group said it would take over Edgcomb's debts.

In 1989 Edgcomb lost $12.5m on sales of $596m. Mr Beilstein said the drop in profitability from the first half of last year to the second had continued into the first quarter of this year. The US steel industry in general has been suffering from soft demand and weak prices.

Edgcomb has 18 trading and finishing centres, employing 1,600 people. It makes 45 per cent of its sales in flat products such as steel plate, 25 per cent in stainless steel, 15 per cent in long products such as bar and wire, and 15 per cent in aluminium.

Edgcomb mainly serves the north-east, south-east and Midwest US, and its markets should have little overlap with Interstate Steel and Metron Steel, the two other steel service centres in the US bought by Usinor. They operate mainly in the Midwest and in different product lines.

The purchase will be handled through Sollac, Usinor Sacilor's flat-products subsidiary, and requires clearance from US anti-trust authorities.

Usinor Sacilor has been an aggressive buyer in the US recently, though Mr Francis Mer, its chairman, says he has merely been seeking specific steel industry sectors. The fact that some of those opportunities happen to be in the US is secondary, he argued after a recent acquisition.

Usinor Sacilor's most spectacular US move this year has been its takeover of Jones & Laughlin, the number two US stainless steel producer. Other US acquisitions this year include Techalloy, a wire drawer; Alloy and Stainless, a metal merchant; and a 50 per cent stake in Georgetown Steel, a wire producer.

A retailer who risks being out of style

Maggie Urry on the outlook for Burton of the UK

When Burton Group announces the sale of its credit card business, expected today, its shares could be given a short-term boost.

The sale – for between £170m ($307m) and £200m, to the financial services arm of General Electric of the US – will be the first good news the fashion retailer and property developer has had to offer since late June, when it warned of difficult trading. Before that, its shares were trading at 164p. Since then, they have fallen by over a third, to yesterday's 104p. And they were not highly rated to start with.

Burton's shares have reached the point where they are either oversold or where, as some shareholders mutter darkly, "the price is telling us something." The gloomiest fears are overdone, say analysts who follow the company closely. "A lot of emotive nonsense is being talked about Burton," says Mr John Richards, the leading stores analyst, of brokers County NatWest WoodMac.

None the less, at times in recent weeks the share price has seemed to be in free fall. Stockbrokers' profit forecasts were slashed. The prospective yield – assuming a maintained dividend – climbed into double figures, but still the price tumbled.

Burton's response has been to withdraw into a shell, barely speaking to analysts. It has refused, for instance, to comment on suggestions that Sir Ralph Halpern, the chairman, will see his role reduced.

Profit forecasts for the group's current financial year, to the end of August, range around £150m pre-tax, compared with £223.8m the previous year. First-half pre-tax profits were only marginally lower at £116.3m (£117.5m). This means the second-half profit is expected to slide from £106.3m to around £34m.

The company's most serious problem is the lack of confidence it inspires in many investors. The mistrust has built up from years of suspicion fuelled by investors' criticisms of Burton's accounting methods; by a Department of Trade and Industry inquiry into the group's acquisition of the Debenhams department stores in 1985, which cleared Burton; and by the furore over Sir Ralph's £1m-plus salary and equally exotic private life.

In shareholders' minds, there are three more specific areas of concern about Burton:

- Retail trading in Burton's 10 clothing and department store chains.
- Off-balance sheet businesses in credit cards and property.
- The £175m invested (on-balance sheet) in five shopping centre developments.

On the trading issue, Burton has the excuse that it is not alone. Many other stores groups have made profit warnings, and Monday's retail sales figures showed a sharp drop in volume.

Burton did not expect the sudden drop in sales seen since mid-May. That persuaded Burton and its fashion retail competitors into earlier – and deeper – summer price reductions than usual. This will have a damaging effect on fashion chains' margins; their high fixed costs mean that small changes in volume produce much larger changes in profitability.

The second consideration is the two off-balance sheet companies, which were this year to be consolidated into the accounts for the first time.

Applied to last year's figures, this approach would have raised the group's debt-equity ratio from the 47 per cent actually reported for August 1989 to well above 100 per cent. But this is an optical illusion. The group's responsibility for the debts would be no more nor less than when they were off-balance sheet.

The sale of the financial services business will practically solve this issue. The other off balance sheet company – High Street Property Investments – was used by Burton some years ago to raise finance through a sale and leaseback of some of its stores. At its last balance sheet date, HSPI had investment properties of £117.5m and bank loans of £68m. Adding these to the Burton balance sheet would not cause a significant problem.

The third issue is that of the group's development properties, owned through Burton Property Trust, a wholly-owned subsidiary. Worries focus on five shopping centres: Dartford and Redhill outside London, Coventry in the Midlands, and Darlington and Scarborough in the north.

The properties are included in the group's work in progress and should therefore, at the financial year end, be revalued at the lower of cost or realisable value. So far Burton has spent about £175m on them and plans to spend another £75m up to the end of 1991.

A forced sale of the properties now would probably raise much less – perhaps £50m-£70m according to people who know the business – than the £175m spent. Therefore, a provision in the profit and loss account this year would seem probable. A provision would not cause a cash outflow; and Burton seems to have no intention of actually selling the properties, which it estimates will be worth £400m in 1997.

In the worst year, 1995, it reckons that the developments' carrying cost – rental income less interest payable – to the profit and loss account will be £13m. Even taking Burton's calculations with a large pinch of salt, the shopping centres are not crucial to its long-term health.

Today's deal to sell the financial services operation solves many of the company's short term problems; it raises some cash and eliminates £400m or so of debt. But it may simply disguise longer-term problems.

Sir Ralph can claim credit for turning a dozy men's tailoring business into the fashion success of the 1980s; and many shareholders believe that Burton is still the best fashion retailer around. County NatWest's Mr Richards argues, however, that the group has lost its way. "Burton no longer has a credible retail strategy for the 1990s," he suggests.

Burton's fashion chains – which include Top Shop, Dorothy Perkins and Principles – are aimed at the younger end of the market, a sector being eroded by demographic changes. Its cost base is high thanks to the expansion of the late 1980s, when retail property was at its most expensive and the sale of freeholds to finance growth exposed the group to rising rents. The purchase of Debenhams has yet to be demonstrated a success.

The current fuss about Burton may be missing the point. Instead of worrying, probably unnecessarily, about current rumours, analysts and shareholders ought to be addressing the issue of the group's ability to succeed as a retailer in the longer term.

Sir Ralph Halpern: transformed a dozy tailoring business

Citicorp posts 37% drop in earnings

By Martin Dickson in New York

CITICORP, the largest US commercial banking group, yesterday underlined the poor prospects for the sector as it reported a 37 per cent drop in second quarter net income, due partly to the crisis in the American real estate market and partly to poor global earnings from corporate finance and investment banking.

The group produced net income of $248m, compared with $395m in the same period of last year, while earnings per share were 64 cents, down from $1.11 and below analysts expectations, which ranged from 70 cents to $1 a share. In spite of those results, Citicorp shares rose modestly to close at $21⅞, up $⅛, on the New York Stock Exchange.

The figures showed continued strong earnings from Citicorp's consumer business, with earnings up 28 per cent from $208m to $266m, thanks to good performances in credit cards, its New York branch system and consumer businesses in Latin America and Asia.

However, the bank made $92m of net commercial loan write-offs during the quarter – excluding third world loans – compared with $29m a year ago and $136m in the first quarter of this year.

Write-offs in US real estate, which has been savaged by declining property values, comprised $42m of this, against $56m in the last quarter. Loans to highly-leveraged borrowers accounted for $52m, against $51m in the first quarter.

Commercial loan loss reserves, apart from third world borrowings, were increased by $58m to $744m, or 130 basis points. The bank also took a $631m write-off (20 per cent), on non-performing loans to Brazil.

For the first six months Citicorp reported net income of $479m, down from $924m, and earnings per share of $1.24, down from $2.63.

Among other large New York banks reporting yesterday, Chemical Banking reported earnings of $113.1m, or $1.02 a share, for the second quarter, down from $128.6m, or $1.65 a share, a year earlier. However, its non-performing assets declined to $2.99bn, or by $245m, from the end of March. This included a $268.2m write-off on its Brazilian and Argentinian portfolio.

Manufacturers Hanover reported net income of $33m for the second quarter, down from $106m, after taking a one-time pre-tax restructuring charge of $100m. Earnings per share were 31 cents, or $1.15 excluding the charge, against $1.87.

Receivers are appointed at Poudreries Réunies de Belgique

By Tim Dickson in Brussels

EFFORTS to salvage parts of Poudreries Réunies de Belgique (PRB) were under way yesterday after the major Belgian gunpowder and munitions group – owned by Astra of the UK – was finally put into liquidation.

Three receivers were appointed by a Brussels commercial court to find buyers for the assets and to help deal with the security implications of the failure of this politically sensitive defence business. "It is not like a biscuit maker going bankrupt. We cannot leave everything lying around while waiting for someone to take care of it," said Mr Louis Tobback, Belgium's interior minister.

Yesterday's developments finally dashed the hopes of a last-minute reprieve for the company's 1,200 employees.

It is expected to be some days before the financial situation becomes clear but it emerged last night that the two French companies Groupement Industriel de L'Armement Terrestre (GIAT) and Société Nationale de Poudres et d'Explosifs (SNPE), which last month expressed their interest in participating in a rescue, remain candidates to buy three of the five PRB factories. These are at Balen, Malines, Kaulille, Matagne and Clermont. Continuing French interest was confirmed by trade union officials, who have been in contact with GIAT and SNPE, and by a banker closely involved in the negotiations.

Générale de Banque, one of the two main creditor banks, refused to give details of PRB's outstanding debts – but the "social obligations" of the company alone are thought to be about BFr1.2bn ($35.3m).

The collapse of PRB was widely seen as inevitable in Belgium following the downturn in defence markets from the end of last year. Over a longer period, the Belgian munitions industry has been in decline, with sales down from BFr57bn in 1983 to BFr30bn last year and employment falling from 60,000 to about 30,000 in the past decade.

Astra of the UK, which paid around £20m ($36.08m) for the share capital and to repay inter-company debt last September, claims it was misled by Société Générale de Belgique, the big Belgian holding company, about PRB's profit forecast.

Embroiled in its own financial difficulties at home, the UK company subsequently washed its hands of its troubled subsidiary and, by all Belgian accounts, has been absent from recent talks.

US finding may affect LBOs

By Roderick Oram in New York

FINDINGS of a court-appointed investigation into a highly-leveraged US buy-out, published yesterday, may have wide-ranging implications for other junk bond transactions. The investigation, into the $1.3bn buy-out of Revco, a US drug store chain, finds that the company was so short of capital that it was virtually insolvent when the deal was completed four years ago.

The preliminary finding raises the prospect of far closer court examination of many other companies which collapsed under the weight of junk bonds and other debt used to take them private.

The legal concept clarified by the Revco report, the first ever by a neutral third party in a US bankruptcy case, clears the way for creditors to sue to recover funds from management, investors and their advisers involved in bankrupt buy-outs and former shareholders who benefited from the deals.

If the failed companies gained no value, for example, from the debt burden buy-out investors placed on them, then the deals amounted to fraudulent conveyances, a legal principle dating back to Elizabethan England. The threat of legal actions on these grounds has long been hanging over Wall Street.

"My research suggests. . . that highly aggressive leveraged buy-out deals may create significant fraudulent conveyancing risks," said Mr Barry Zaretsky, the Brooklyn Law School bankruptcy professor who conducted the Revco examination.

Revco's creditors have grounds to sue many parties connected with its buy-out, such as investment bankers, accountants and lawyers, for damages caused by, for example, faulty financial projections. But Mr Zaretsky recommended to the court that they refrain from filing suits until November. To save costly and time-consuming litigation, he urged all sides to continue to seek a negotiated settlement in the meantime.

Mr Zaretsky will complete a definitive report by September.

The buy-out of Cleveland-based Revco was undertaken by a group of investors which included the company's management at the time. They invested only $18.9m in cash in the deal, financing the rest with bank borrowings and some $800m of junk bonds. The company failed less than two years later and became the first billion dollar buy-out to wind up in the bankruptcy court. The investors' main adviser was Salomon Brothers in the investment banking firm's first large-scale leveraged buy-out.

INTERNATIONAL COMPANIES AND FINANCE

Asprey buys Mappin & Webb for £75m

By Jane Fuller

THREE of the UK's most up-market names in jewellery – Asprey, Garrard and Mappin & Webb – are coming together in a deal between Asprey, a family-controlled business, and Sears, one of the UK's biggest retailing empires.

Although the arrangement involves Sears selling its jewellery division to Asprey, the form of payment means that Sears is in fact increasing its involvement in Asprey, in which it already holds 25.5 per cent of the ordinary shares.

Mr Geoffrey Maitland Smith, chairman of Sears and a director of Asprey, said Sears had turned down several offers to buy its jewellery interests and instead sought to merge them with Asprey.

The deal involves USM-quoted Asprey buying the Mappin & Webb Group from Sears for £75m ($135m) in the form of 18.5m participating preferred shares, priced at 405p each. When added to Sears' existing holding, these new non-voting shares would give it an interest in 38.5 per cent of the earnings of the enlarged Asprey group.

Concern about dilution of Asprey's earnings yesterday pushed its share price down 15p to 390p.

Sears' connection with Asprey goes back to 1980 when it bought a friendly 20 per cent stake after Mr John Asprey, the chairman, had won a family struggle for control of the company and had seen off a hostile bid from Alfred Dunhill and Dubai business interests.

The Mappin & Webb Group, which includes the eponymous jewellery and luxury goods shops, Garrard, the Crown Jewellers and a silversmith, last year made a pre-tax profit of £5m on sales of £56.2m. Net tangible assets were £56.8m.

Asprey, which has its main shop in Bond Street, London, made £21.9m pre-tax last year on sales of £75.3m.

Mr Naim Attallah, joint managing director, said the merger, which is to involve some 17 outlets, would allow the group to expand into other parts of the UK and into the middle of the market.

Booker in offer for Fitch

By Clay Harris, Consumer Industries Editor

BOOKER, the UK food distribution and agribusiness group, yesterday agreed to pay £302m in cash and shares for Fitch Lovell, another food supplier. The deal would create Britain's largest catering services business.

It would also add Fitch's fish processing and distribution of chilled and frozen fish products to Booker's salmon farming operation, the second largest in Britain. Booker is likely to dispose of much of the rest of Fitch's business.

Fitch yesterday reported static pre-tax profits of £32.3m for the year to April 28. It blamed the results in part on pressure on margins because of "competitive activity" during the integration of UYC, a food distributor bought by Fitch in 1988.

Booker won over more than 20 per cent of UYC's contracts and scored another coup when Burger King, an existing customer, bought Wimpy, which had been supplied by Fitch.

Booker, which is already Britain's largest cash-and-carry operator, said it did not expect difficulties with the Office of Fair Trading over the latest deal.

Mr Skipper said the combined group would account for only 7 per cent of the £6.5bn UK market for food, non-food and non-alcoholic drinks delivered wholesale to caterers.

Taking into account cash-and-carry operations, Booker would have an 11 per cent share. The largest combined share to be created by the deal, 14 per cent in delivered frozen foods, would be second in that sector to Brake Brothers.

For every three Fitch shares, Booker is offering one share and 417p in cash. With Booker closing 19p lower at 436p, the bid values each Fitch share at 302p. Fitch shares added 78p to close at 297p, just above the cash alternative of 293.6p.

M & G, Fitch's largest shareholder with 17 per cent, is likely to back the bid unless a higher agreed offer emerges. Booker was advised by Kleinwort Benson and Fitch by Lazard Brothers.

Lex, Page 16; Background and Fitch Lovell results, Page 20

AECI declines to R171m pre-tax in first half

By Our Financial Staff

AECI, the large South African chemicals and explosives maker, showed a fall in interim pre-tax profits to R171m ($64.5m) from R202m, blaming deteriorating conditions especially in the gold mining, automotive and construction industries.

The group said it was also affected by industrial action, adding that if this did not escalate it expected the full-year result to match the R495m achieved in 1989.

("Present indications are that the worst effects of the destocking process have been seen and that end-user consumption should translate more directly into demand for the group's products during the second half of the year," it said.

Sales in the six months to June were up at R2.37bn compared with R2.26bn.

Attributable income was R113m against R130m.

AECI is meanwhile to begin manufacturing gold potassium cyanide for use in gold plating, in a joint venture with Rand Refinery, an affiliate of the Chamber of Mines which links the country's six main mining houses.

(The new venture, called Goldchem, aims to supply costume jewellery and electronics industries in Asia.

AECI said it had patented new technology for the venture, which will be the first time the chemical, 70 per cent gold in content, will be made in South Africa.

Enimont sells Sclavo to Marcucci

ENIMONT, the Italian chemicals joint venture, said yesterday it has sold Sclavo, its pharmaceutical subsidiary, for L100bn ($80m) to the Marcucci Group, an Italian manufacturer of blood derivative products and vaccines, AP-DJ reports.

The sale was expected after Enimont re-acquired complete control of Sclavo in May from former partner Du Pont of the US. At the time, Enimont rejected Du Pont's offer to take control of Sclavo, saying the company played a strategic role in Italy's national health network and therefore should remain in Italian hands.

The sale comes under a larger Enimont programme to sell-off L1,500bn in assets by the end of the year in order to pay debts.

With the acquisition, the Marcucci group will enlarge its Italian market share to 50 per cent from 33 per cent and become one of Europe's leading producers of pharmaceutical products derived from blood, Enimont said.

The Marcucci Group, based in Castelnuovo, is a private Italian group owned by Mr Guelfo Marcucci.

Enimont's 50-50 joint venture with Du Pont soured this year. Du Pont delivered an ultimatum to Enimont in February saying it either wanted to acquire Sclavo before making investments it deemed necessary to go forward, or get out.

Coors strongly ahead

By Karen Zagor

ADOLPH COORS, the big US brewing company which is expanding its operations in the hope of becoming a leading player in an industry which is dominated by Anheuser Busch and Miller Brewing, yesterday reported strong second-quarter earnings and sales.

For the three months ended June 17, Coors returned net income of $25.1m or 68 cents a share against $16.9m or 46 cents a year earlier. Sales net of excise taxes grew 12 per cent to $475.4m from $425.5m, while the number of barrels sold increased 14 per cent to 4.83m.

For the first half, Coors had net earnings of $32.8m or 89 cents a share compared with $12.1m or 33 cents a year before. Sales advanced 16 per cent to $869.7m from $749.6m.

NEWS IN BRIEF

Puma group earnings at breakeven

PUMA, the West German sportshoe group controlled by Aritmos of Sweden, said 1989 group profit was unchanged at breakeven.

Group turnover fell to DM520.2m ($306m) from DM797.9m in 1988.

Puma said turnover fell in 1989 as the parent company withdrew from the US market, agencies report.

■ BUS, Berzelius Umwelt-Service, Metallgesellschaft's recycling unit, said it was setting a two-for-seven rights issue, offering new ordinary shares at a price of DM440 ($258m) each and preference shares at DM340 each.

BUS said the issue would bring in DM208m. The funds would be used to help BUS increase its 20 per cent stake in the US company Horsehead Resource Development. Metallgesellschaft is giving two-thirds of its rights to the share issue to MIM Holdings of Australia. This will give MIM 10 per cent of the capital of BUS.

■ *UCB*, the Belgian chemical concern, has taken a 49 per cent increase in Japanese pharmaceutical company Choseido Seiyaku, based in Tokushima, Japan.

UCB said it had subscribed to a capital increase in Choseido Seiyaku to acquire its share. Terms were not disclosed. The Japanese concern produces medical products for sale to hospitals, and had sales of BFr500m ($14.2m) in 1990, UCB said. UCB makes plastic films and drugs.

■ Agence Havas, the French media group, is discussing taking a stake in Gallimard, with negotiations centred on the degree of independence to be allowed France's largest independent publisher, it is understood.

Mr Antoine Gallimard, Gallimard chief executive, said the choice of new shareholders in the company was being guided by the need for guarantees of independence and for editorial development. He gave no details on any negotiations. Havas declined to comment.

State-owned Banque Nationale de Paris holds about 36.8 per cent of the publisher.

MAN withdraws from negotiations over Enasa

By Kevin Done, Motor Industry Correspondent

MAN, the West German commercial vehicle maker and engineering group, said yesterday that it had withdrawn from negotiations for the takeover of Enasa, the Spanish state-owned truck producer.

On Monday the West German Cartel Office blocked a deal, agreed in principle late last year, under which MAN, West Germany's second largest truck maker, was to have led a consortium takeover of Enasa with Daimler-Benz as a minority partner.

MAN planned a 60 per cent holding, with Daimler-Benz acquiring 20 per cent and INI, the Spanish state industrial holding company, retaining of 20 per cent.

The Cartel Office was concerned the deal between the two big West German truck makers would undermine competition in the West German truck market, where Daimler-Benz and MAN have a combined share of around 80 per cent.

MAN said yesterday that the Cartel office ruling had made it impossible for it to realise its original plan to take over both Enasa and the Austrian Steyr-Daimler-Puch truck operations. The Steyr truck business was acquired by MAN with effect from the beginning of January.

In the wake of the Cartel Office ruling on Monday, Daimler-Benz said that it was taking over the leading role in the negotiations with INI for the takeover of Enasa. INI said that it hoped to present an alternative scheme to the original MAN-led acquisition on July 30.

According to the original memorandum of understanding MAN was to have taken control of Enasa's heavy truck operations. Its official withdrawal yesterday again throws into doubt the future ownership of the business, which includes Seddon Atkinson, the small UK heavy truck maker.

MAN said at the end of May that it was not in the company's "strategic interest" to take over all or parts of Enasa alone. The acquisition was planned as a joint takeover with Daimler-Benz.

● The MAN group said yesterday it planned to raise its dividend for the financial year to the end of June 1990.

It refused to specify the increase from the DM8 ($4.70) per share paid in 1988-89, but said the group had operated at full capacity, which led to higher profits. Group turnover increased by 11 per cent to around DM19bn. Orders received in 1989-90 rose by 9 per cent to more than DM20bn. The order book at the end of June was DM17bn. MAN forecast sales and profits would again be "satisfactory" in 1990-91.

VW IN E GERMAN SALES PLAN

VOLKSWAGEN has set up its planned marketing joint venture with its East German partner IFA-Pkw-AG, Reuter reports.

VW said the new venture, AVZ-Automobil-Vertriebszentrum Chemnitz GmbH, was 50 per cent owned by each partner, had a nominal capital of DM1m ($588m), and would employ a workforce of about 630.

Volkswagen and IFA-Pkw-AG, the builder of the two-stroke, plastic-bodied Trabant cars, have been co-operating since March. Volkswagen started production of its Polo model at IFA's plant in Zwickau in April.

The West German company said it had received more than 11,500 car orders from East Germany during the first six months of this year.

It expected to sell about 20,000 VW and Audi cars as well as about 200 SEAT models in the second half of 1990. Next year, Volkswagen said it expects to sell at least 50,000 VW and SEAT cars and 5,000 SEAT trucks.

Roche advances 6% in first half

By William Dullforce in Geneva

ROCHE HOLDING, the Swiss pharmaceuticals and chemicals group, yesterday reported a 6 per cent increase in first-half sales to SFr5.18bn ($3.65bn) and said it expected a further improvement in earnings this year.

Last year the group which was formerly known as Hoffmann-La Roche posted a 33 per cent surge in net consolidated earnings to SFr852m.

First-half turnover performance by Switzerland's third largest chemicals group outpaced those of Ciba-Geigy and Sandoz. But, as with its two rivals, Roche's figures were affected by the appreciation of the Swiss franc; in local currencies sales increased by 13 per cent compared with the first six months of 1989.

Earlier this year Roche made a successful $2.1bn bid for a 60 per cent stake in Genentech, the leading US biotechnology company. Heavy trading in recent weeks has pushed up the prices of Roche stock, particularly of its participation certificates.

The group's first-half sales development was marked by the strong growth in pharmaceuticals, which advanced by 14 per cent to SFr2.4bn and by as much as 23 per cent in local currency terms.

Increases in sales of the antibiotic Rocephin and the anti-rheumatic drug Tilcotil contributed largely to the turnover growth in pharmaceuticals.

Sales of vitamins and fine chemicals at SFr1.16bn were down by 7 per cent but maintained the same level in terms of local currencies.

The diagnostics division pushed up its sales by 4 per cent to SFr724m, a rise of 14 per cent in local currencies. Sales of fragrances and flavours dropped by 2 per cent to SFr565m but were up by 3 per cent in local currency terms.

Roche said it expected to maintain a dynamic development of sales in local currencies during the second half of the year.

1

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INTERNATIONAL COMPANIES AND FINANCE

Cost-cutting efforts help Merrill Lynch improve

By Janet Bush in New York

MERRILL Lynch, the largest US securities house, yesterday reported higher earnings in the second quarter which it attributed largely to continuing efforts to cut costs.

Paine Webber, another securities house, and Charles Schwab, the discount broker, also announced second-quarter earnings yesterday which suggested that there has been some improvement from the very difficult first quarter. However, conditions in the securities industry remain highly competitive and firms are still being affected negatively by reduced takeover activity.

Merrill Lynch achieved net earnings of $74.1m or 64 cents a share in the second quarter compared with net earnings in the same quarter a year ago of $70.2m or 62 cents a share.

Merrill Lynch said the 1989 total included earnings of $4.5m or four cents a share from the discontinued operations of the firm's real estate subsidiary, which it sold in the autumn of last year.

The second-quarter results were significantly improved from the $41.3m earned in the first quarter of this year. Revenues of $2.87bn in the second quarter were 1 per cent lower than in the comparable quarter last year but 8 per cent up from the first quarter of 1990.

Mr William Schreyer, chairman, and Mr Daniel Tully, president, said earnings from continuing operations were up 13 per cent from the same period last year despite reduced stock exchange trading and lower levels from underwriting and corporate deals.

They attributed this largely to continuing efforts to cut costs. Total expenses in the second quarter were down 1 per cent from the same period in 1989.

Merrill Lynch did relatively well in a generally weak investment banking environment, with revenues from this business up 8 per cent from the second quarter of 1989 and 31 per cent from the first quarter.

Paine Webber reported net earnings of $14.7m compared with $15.1m in the second quarter last year. Revenues were $466.2m, up 8 per cent from the same period in 1989.

Mr Donald Marron, chairman, said the company had solid operating performances in its core businesses, but reduced earnings from merchant banking king investments and an industry-wide softness in investment banking revenues had negatively affected profits.

Charles Schwab benefited from a 10 per cent rise in trading activity by individual investors compared with last year. It achieved net income in the second quarter of $4.8m or 17 cents a share compared with net income of $4.2m or 15 cents a share a year ago.

Honeywell profits top analysts' forecasts

By Roderick Oram in New York

HONEYWELL has reported a surge in profits with a strong upturn in its space, aviation and industrial products more than offsetting a small downturn in building controls.

Net profits from continuing operations for the three months ended July 1 rose by more than 50 per cent from $60m, or $1.39 a share, a year earlier, to $92.4m, or $2.40 a share. The results beat analysts' forecasts by at least 25 per cent.

Profits from discontinued operations of $6.7m, as against $14.8m, made the final net $99.1m, or $2.58, against $74.8m, or $1.73m. Revenues edged ahead by 2.1 per cent to $1.55bn, from $1.52bn.

"We are pleased with our continuing solid performance which reflects the benefits of our profit improvement plan and continued strong market conditions in industrial systems and commercial flight systems," said Mr James Renier, chairman.

Worldwide strength in industrial automation systems offset weakness in industrial components. Operating profit for the sector rose to $60.5m from $46.1m in the quarter, on sales of $414.6m, against $371.6m.

Sharply improved performances from commercial flight systems, military avionics and space products generated operating profits of $52m against $29m, despite a slip in sales to $513.9m from $516.9m.

Operating profits from building controls fell to $41.9m from $42.8m. The weakness of US housing construction led to a downturn in heating and air conditioning controls for houses, although foreign markets for building controls strengthened.

First-half net profits, including discontinued operations, were $189.2m, or $4.87 a share, against $137.7m, or $3.19. Revenues were up 4.3 per cent at $3.07bn, against $2.95bn.

Sharp advance by Wells Fargo

By Alan Friedman in New York

WELLS FARGO, the California commercial bank which is the nation's 11th biggest bank holding company, yesterday unveiled impressive second-quarter earnings and announced plans to spend $492m to acquire a 130-branch California retail banking network from Great American, a troubled savings bank.

The acquisition of branches is of crucial strategic importance to Wells Fargo, which yesterday unveiled a 58 per cent jump in second quarter net income to $232.4m.

The result, which translates into a 64 per cent rise in earnings per share to $4.40 from $2.68, was boosted by a one-time $116.5m pre-tax gain following the establishment of an investment advice joint venture with Japan's Nikko Securities.

Wells Fargo's strategic goal is to improve its position in the state of California, where it already has nearly 500 branches. This compares with Bank of America's 850 branches.

Great American's network comes with a $6.4bn deposit base and $5.9bn of assets, none of which are non-performing loans.

The San Francisco-based Wells Fargo has been seeking in particular to strengthen its position in Southern California. Some 64 of the Great American branches being acquired are in San Diego county alone, and a total of 92 are in the Southern part of the state including the prosperous Orange county.

The Wells Fargo deal comes in the wake of four smaller acquisitions over the past 12 months. The bank's growth-by-acquisition strategy also saw the purchase in 1986 of Crocker National from Britain's Midland Bank and a year later the acquisition of the Barclays retail bank in California.

Great American, which has capital adequacy problems, is operating under a plan approved by the Office of Thrift Supervision. The plan calls for a $350m capital infusion by year-end.

With the extraordinary credit from the Nikko venture stripped out of second-quarter earnings, Wells Fargo still managed an 11 per cent improvement on net profits, to $163.8m.

The bank's second-quarter loan losses were $75m, unchanged on the first quarter of 1990. Total non-performing loans at Wells Fargo are $880.9m, or 2.2 per cent of total loans. The bank's total assets at the end of June were $51.7bn.

● Great Western Financial, the Beverly Hills-based thrift that is one of the nation's larger institutions, yesterday reported a 51 per cent rise in second-quarter net income, to $78.2m.

Surprise plunge at Utd Telecom

Roderick Oram in New York

UNITED Telecommunications surprised Wall Street yesterday with a 50 per cent drop in profits following renewed problems with its US Sprint subsidiary, the third largest US long distance network.

Net profits for the second quarter ended June plunged to $40.6m, or 18 cents a share – about one-third of the level forecast by analysts – from $90.5m, or 43 cents, a year earlier. Its stock price dropped $6¼ to $32 yesterday morning in heavy trading. Revenues were $2.07bn against $1.85bn.

The damage was done by $72m in extraordinary charges, equal to 18 cents a share after-tax, relating to Sprint. They covered a reserve for workforce reduction costs, a write-off of non-productive assets and accruals of some non-recurring contingencies.

In addition, Sprint fell short of its revenue goals particularly among small scale subscribers with sales rising to $1.24bn from $1.04bn. Expenses grew faster than revenues to $1.28bn from $985.5m, resulting in an operating loss for Sprint of $42m against a profit of $53m a year earlier.

Mr William Esry, United Telecom's chairman, said Sprint was refocusing its sales efforts. The company has postponed buying the remaining 19.9 per cent of Sprint owned by GTE, the largest US independent phone company, until Sprint's health improves.

Sprint's problems are a blow to United Telecom which has worked hard to turnround the network. Third placed in distance telephones after AT&T and MCI Communications, it had run up large losses in its troubled history before taking a sharp turn for the better over the past couple of years.

In contrast, United Telecom's local telephone services reported operating profits of $174.6m on revenues of $684.2m in the quarter against $158.4m on $658.3m a year earlier.

● Meanwhile, GTE turned in second quarter net profits of $364m, or 54 cents a share, against $329m, or 49 cents, a year earlier. Revenues rose to $4.6bn from $4.3bn.

Telephone operating profits were up 7 per cent at $729m on revenues ahead 3 per cent at $3.2bn. Profits from telecommunications products and services, including its burgeoning cellular business, rose to $59m from $31m on a 23 per cent rise in revenues to $879m. Cellular customers increased by 63,000 to 382,000

Pennzoil plans to raise stake in Chevron

By Alan Friedman in New York

PENNZOIL, the Houston-based oil company that sued Texaco into bankruptcy more than two years ago, has said it plans to spend up to $291m to raise its stake in Chevron, the big energy group, from 8.8 per cent to just below 10 per cent.

The Pennzoil plan, disclosed in a filing with the Securities & Exchange Commission (SEC), is bound to irritate the much larger Chevron, which last year brought suit against the Texas oil concern after Pennzoil's initial purchase of the 8.8 per cent stake.

Significantly, the Pennzoil plan would lift the company's Chevron stake to just short of the level – 10 per cent – needed to trigger Chevron's poison pill anti-takeover defence.

Iberia set to win Argentine airline

By Gary Mead in Buenos Aires

IBERIA, the Spanish airline leading a consortium of Argentine private companies, looks certain to be awarded 85 per cent of Aerolineas Argentinas, Latin America's second-largest airline, following an official announcement late on Monday of an offer in excess of government minimum requirements.

Iberia and its partners have offered $260m in cash, of which $130m is to be paid immediately and the remainder over 10 months, with interest charged at Libor.

In addition, a $2bn debt-equity exchange is part of the deal, comprising $1.6bn in Argentine debt paper plus a further $400m in outstanding interest on that debt. Iberia has also put forward an investment programme worth $683m over the next few years.

Of the remaining 15 per cent of the airline, 10 per cent is due to be handed over to employees and the Argentine Government will retain a 5 per cent share. Iberia is to take an immediate 20 per cent share of the privatised 85 per cent, with an option to increase that holding to 30 per cent.

The Argentine Government had stipulated a minimum of $220m in cash and $1.5bn in debt-equity swap arrangements.

Although the sale was deserted in the final weeks by four other airlines – Alitalia, American, KLM and Varig - Mr Roberto Dromi, Minister of Public Works, said last week that if the Iberia group met the basic requirements then the sale would go ahead.

President Carlos Menem is now due to sign a decree formalising the deal; a reversal at this late stage is not expected.

Aerolineas' privatisation has been dogged by controversy, and the arguments promise to continue in the next few months as the sale takes place.

Mr Dromi has been strongly criticised from all sides of the political arena for allegedly mishandling the sale and bringing about a reduced level of competition for the privatisation.

Moreover, there is a certain irony in the privatisation since Iberia itself is a state-owned company. A further doubt concerns the lack of deregulation in the privatisation.

Cielos del Sur, Iberia's leading local partner, controls Austral, the largest private domestic carrier.

Industrial analysts believe that Austral is in serious financial difficulties, having itself been privatised in 1987. Together, Aerolineas and Austral will now exercise a virtual monopoly over domestic routes.

Four of the six air industry trades unions have already announced their objections to the sale to Iberia. The pilots, navigators, technicians and senior management unions have threatened, as a first step, a 24-hour strike once the sale is confirmed.

European sales boost Coca Cola

By Martin Dickson in New York

STRONG sales volume growth in *Europe* helped power Coca-Cola, the US soft drinks manufacturer, to an 18.6 per cent increase in second-quarter net income.

The company said yesterday that net income totalled $409.9m *in the second quarter* on revenues of $2.74bn, compared with income of $345.5m on sales of $2.3bn in the same period of last year. However, earnings per share rose 24.5 per cent to 61 cents, compared to 49 cents.

Mr Roberto Goizueta, chairman, said: "Market share gains in our US bottle and can business, continued strong volume growth internationally, cost containment and improved margins are fuelling our profits gains and position us well for the second half of this year and into 1991."

He said the company's bottler system around the world was poised for continued accelerated growth in the balance of the year and its investment in bottling joint ventures and in building proprietary soft drinks infrastructures in developing markets was now producing consistently attractive returns and "support our bottom line performance expectations for the rest of this year and beyond."

"Overall," he added, "our worldwide business is now enjoying the accelerating momentum which has been building up over the past several years."

Worldwide gallon sales of soft drink concentrates and syrups increased 6 per cent in the quarter and the first half, on top of a 9 per cent gain in the first half of 1989.

Outside the US, gallon sales advanced 8 per cent in the quarter and first half, with a 14 per cent rise in the European Community. The EC rise was led by Spain, with a 42 per cent increase, partly as a result of bottler inventory accumulation, while the UK rose 20 per cent and Benelux by 17 per cent. Retail case sales internationally rose 5 per cent in the quarter and 7 per cent in the first half.

In the US, bottle and can retail case sales rose 3 per cent in the quarter, while fountain gallon sales were in line with the previous year. Gallon sales in the US rose 1 per cent, as slower restaurant industry traffic hit fountain volume trends.

For the first half, net income totalled $693m, up 14.5 per cent, while earnings per share were 20 per cent ahead at $1.02, against 85 cents.

Upjohn unveils 21% growth

By Karen Zagor in New York

UPJOHN, the US pharmaceutical and health care company, yesterday reported a 21 per cent jump in second-quarter net income to $114.1m from $94.6m on sales which grew 11 per cent to $804.7m from $727.7m a year earlier. Earnings per share grew 18 per cent to 60 cents on a fully diluted basis from 51 cents in the 1989 quarter.

The company, which has been moving away from its industrial chemical operations, said earnings in the 1990 quarter included extraordinary pre-tax gains of $28m or 10 cents a share compared with one-time pre-tax gains of $16m or 6 cents a share in the second quarter of 1989.

Upjohn's results were in line with expectations on Wall Street, and shares in the company were unchanged at $42½ at mid-day yesterday on the New York Stock Exchange.

Mr Theodore Cooper, Upjohn's chairman and chief executive, said strong pharmaceutical sales in the US and Europe led to the growth in the quarter. He also attributed the company's improved operating margins to cost-control measures which were started in 1989.

For the first six months, Upjohn's net income grew 15 per cent to $228.3m against $197.6m on sales which advanced 7 per cent to $1.58bn from $1.47bn a year earlier. Earnings per share on a fully diluted basis increased 12 per cent to $1.19 from $1.06.

Corona buys more Prime stock

By Bernard Simon in Toronto

CORONA Corp has won the latest round in the ding-dong battle for control of British Columbia's Eskay Creek gold deposit by acquiring another block of shares in Prime Resources, one of two companies which share control of the deposit.

Mr Murray Pezim, the flamboyant Vancouver mining promoter, and two partners have agreed to sell 5.6m Prime shares to Corona at a price of one Corona class A share plus C$1 cash for each Prime share.

In addition, Prime will transfer to a wholly-owned subsidiary a 3 per cent stake in Stikine Resources, which owns the other 50 per cent of Eskay Creek. Prime will direct how the shares are voted.

Another significant element in the Pezim/Corona agreement is that Mr Pezim will sever his long-standing and sometimes stormy ties with Prime and Corona, including his seat on the two companies' boards and his honorary chairmanship of Corona.

Mr Pezim will, however, retain control over Prime's interests in several exploration properties which will be spun off into a separate company, to be known as Prime Equities.

Corona also said that it had completed the previously announced acquisition of 3m Prime shares from Mr Jim Pattison, a Vancouver entrepreneur, and has negotiated a right of first refusal on warrants to purchase another million Prime shares and the right of first refusal and a voting trust over 858,500 Prime common shares.

Once these deals are completed, Corona will have a 44 per cent stake in Prime and will directly and indirectly control 45 per cent of Stikine. Corona also has a consulting relationship with a Toronto investment management firm which controls another 3 per cent of Stikine.

NCR optimistic after advance

By Roderick Oram in New York

NCR, the maker of computers for mainly the financial and retailing sectors, has reported higher second-quarter results and remains optimistic about further growth, thanks to increased foreign orders making up for a fall in orders at home.

Net profits for the three months ended June rose to $115m, or $1.66 a share, from $110m, or $1.42, a year earlier.

Revenues edged ahead to $1.6bn from $1.53bn. Reflecting a weaker first quarter, half-year net profits slipped to $167m, or $2.38 a share, from $171m, or $2.17, on revenues of $2.87bn against $2.79bn.

Worldwide orders set a record in the second quarter thanks to the positive effect of a weakening dollar. In local currency terms, orders were flat against year-earlier levels.

Demand remained brisk, in particular for NCR's bank automation systems and its Tower family of super-micro-computers.

Despite the softness of US orders, the company said it still hoped to achieve single digit growth in revenues and net income for the full year.

Demand lifts Intel to record

By Louise Kehoe in San Francisco

INTEL, the US semiconductor manufacturer, yesterday reported record sales and profits for its second fiscal quarter because of strong demand for its 32-bit microprocessors and related personal computer components.

Revenues for the quarter ending June 30 were $968m, up 30 per cent from $747m a year ago. Net income was $171m, a 72 per cent increase from $99m for the second quarter of 1989. Earnings per share grew to 84 cents from 58 cents a year ago.

Revenue for the first half of 1990 was $1.9bn, up 28 per cent from $1.5bn for the relevant period in 1989. Net income increased 60 per cent to $314m from $196m a year ago. Earnings per share were $1.57, up from $1.05 per share for the first half of 1989.

Mr Andrew S. Grove, president and chief executive officer, said demand was strong worldwide, particularly for components such as 32-bit microprocessors, high-density EPROMs and microcontrollers.

Mr Grove said that meeting demand for the popular 32-bit 386 microprocessor family is Intel's chief task at present. "Unit shipments of 386 family chips in the second quarter doubled compared with last year's second quarter," he said.

"To help meet this demand, we recently announced plans to keep our Livermore, California plant open another year while we continue to ramp production at our newer facilities."

Parretti makes MGM payment

By Alan Friedman

MR GIANCARLO Parretti, the controversial Italian financier who still claims he will come up with $1.3bn to acquire MGM/UA, the Hollywood studio – even though he has lost $650m of backing from Time Warner – yesterday wrote a $53m cheque to MGM as part of the deal.

The payment by Mr Parretti's Pathé Communications will be pooled together with $200m of previous deposits and channelled to MGM/UA shareholders as a $4 per share payout on Friday.

The $4 payout, under Pathé's amended MGM/UA deal, is an interim payment to shareholders who will keep the money even if the deal collapses. The remaining $17.50 per share is to be paid by October, when Pathé's extended tender deadline expires.

Arbitrageurs, analysts and a range of Hollywood money men were yesterday befuddled at Pathé's self-proclaimed confidence. Time Warner is no longer going to supply a crucial $650m loan in exchange for distribution rights to the United Artists library.

Time Warner is also suing Pathé for $100m of damages, alleging breach of contract and double-dealing by Mr Parretti. Pathé, in turn, last week lodged a suit against Time Warner for $500m of damages.

American Cyanamid edges higher

By Karen Zagor in New York

AMERICAN Cyanamid, the US biotechnology and chemicals company, yesterday reported a modest improvement in net profits and sales for the 1990 second quarter.

For the three months ended June 30, Cyanamid had net income of $111.4 or $1.16 a share, up 4 per cent from $107.1m or $1.15 a year earlier. Sales grew 6 per cent to $1.23bn from $1.16bn a year ago. The results were slightly lower than some analysts had forecast, and shares in Cyanamid slipped $¾ to $59⅞ at mid-session yesterday on the New York Stock Exchange.

For the first six months, Cyanamid's net earnings advanced 5 per cent to $202.3m or $2.11 a share from $192.1m or $2.06 in 1989. Sales increased by 5 per cent to $2.38bn from $2.26bn.

The Maine-based company said its results for the 1990 quarter included a number of one-time items which reduced earnings by about 8 cents a share.

In addition, the company's majority stake in the Shulton Group, which is being sold, contributed 3 cents a share to earnings in the 1990 second quarter and 10 cents a share a year in 1989.

Southland bondholders agree restructuring

By Karen Zagor in New York

SOUTHLAND, the highly leveraged parent company of the 7-Eleven convenience stores group, which has been on the brink of filing for bankruptcy protection for several months, has reached a restructuring agreement with its bondholders' steering committee and Japanese investors which may help the company avoid the bankruptcy court.

The Dallas-based company, which was taken private in 1987 by the Thompson family, its founders, in a $4.9bn leveraged buy-out, has been trying to restructure $1.8bn of publicly traded bonds since March.

Under the terms of the latest agreement, Southland's international licensee, Seven-Eleven Japan, and its parent Ito-Yokado, will pump $430m in new equity into Southland's balance sheet in exchange for 70 per cent of new Southland common stock.

In addition, the company's bondholders will receive about 25 per cent of Southland stock. The Thompson family and Thompson-controlled affiliates will be left with less than 5 per cent of the remaining stock.

Bondholders had balked at an earlier plan which offered them a 15 per cent equity stake and left the Thompson family effectively in control of 15 per cent.

Southland said the revised terms had the support of holders of more than 70 per cent of its senior reset notes.

Although the exchange offer needs to be approved by 95 per cent of each class of Southland's bondholders, it is possible for this requirement to be waived.

Southland, which did not make a $69m interest payment on June 15, yesterday said it would not make a reduction in its leveraged buy-out bank revolver due yesterday.

Southland said the LBO banks were aware ares of the decision and understood it.

INTERNATIONAL COMPANIES AND FINANCE

Staying low-key in Switzerland

David Lascelles on Sumitomo's success with its Lugano offshoot

SIX YEARS have passed since Sumitomo Bank, Japan's third-largest commercial bank, spent $144m to acquire a majority stake in Banca del Gottardo, a Lugano-based institution which specialises in private banking.

The fact that it remains one of the largest investments made by a Japanese bank in the European market is an indication of the cautious approach being taken by financial institutions from Tokyo. This is also reflected in the very hands-off way that Sumitomo has treated its Swiss offshoot.

"We try to entrust everything to the local Swiss people," says Mr Yoji Okabe, Sumitomo's senior managing director for Europe.

Sumitomo has only five people in Lugano: a deputy chairman, a vice president and three staff members to look after the relationship. The deputy chairman is also one of only three directors which Sumitomo has on the 11-man board.

This approach seems to have worked. Gottardo's profits have risen steadily since the acquisition, from SFr29m ($20.46m) in 1984 to SFr48m last year, and it claims to be one of Switzerland's most profitable banks in terms of earnings per employee.

"They have not interfered in our management philosophy," says Mr Otto Husi, vice president for finance.

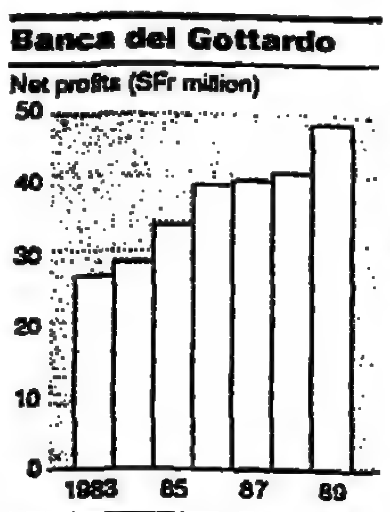
This was helped in no small part by the increased access to the Japanese financing market which the Sumitomo connection has given Gottardo.

Gottardo now ranks fourth, behind the Swiss Big Three, as a lead manager of Swiss franc bond and equity-linked issues by Japanese corporations, a market which had been booming – at least until the slide in the Tokyo stock market earlier this year. The link has also enabled Gottardo to build up its foreign exchange business.

Sumitomo's stand-offishness has not been entirely for management reasons. Because of the strict separation required under Japanese banking law between commercial banking and securities underwriting, Sumitomo has had to satisfy the Tokyo authorities that Gottardo is autonomous. "We insist that Gottardo is not a Japanese company but a Swiss company," says Mr Okabe.

But this has not prevented Japanese securities houses from complaining that Sumitomo enjoys an unfair advantage, one reason why Sumitomo is unlikely to increase its stake in the forseeable future.

It now has 41 per cent of the capital, although because a portion of Gottardo's other shares is non-voting, this gives Sumitomo 53 per cent of the voting stock.



This is also why the future expansion of the two banks will follow separate courses. Banca del Gottardo will concentrate on private banking, securities and fund management, and specialities like trade finance, while Sumitomo will expand mainly in the credit and lending area. Nevertheless, Sumitomo is picking up useful experience of the securities industry through Gottardo.

The immediate challenge for Gottardo is to adjust to changes that are going on in neighbouring EC markets, particularly Italy where it has traditionally drawn a large share of customer business.

The relaxation of foreign exchange controls has made Italians less anxious to deposit their money abroad, and the flow of funds across the border into Lugano could slow down.

"We don't see it happening yet, but new money may not come in the future," says Mr Husi.

Gottardo has gone in search of fresh business by entering a partnership with Studio Pastorino, a Milan stockbroker, to create a new form of expanded brokerage firm permitted under recent changes to Italian securities law. Later Gottardo also hopes to establish itself in Spain. There is a further EC outpost in Luxembourg.

As for Sumitomo, Mr Okabe says it has no immediate plans to make further large acquisitions in Europe. It is not, for example, interested in bidding for the 63 per cent of the Henry Ansbacher merchant bank which was recently put up for sale. But it will pursue acquisition opportunities in niche markets.

Few other Japanese banks have bought directly into the European banking market. One other example was Taiyo Kobe Bank, now merged with Mitsui Bank, which acquired 11.2 per cent of the share capital and 2.7 per cent of the voting rights of Banca della Svizzera Italiana, another Lugano-based bank. Bank of Yokohama also acquired 65 per cent of UK merchant bank Guinness Mahon last year, valuing it at £95m ($171m).

Poor results at two JCI units

By Philip Gawith in Johannesburg

THE South African mining house, Johannesburg Consolidated Investment (JCI), yesterday reported a 73.2 per cent decline in combined after-tax profit at its two mature gold operations in the latest quarter to June.

"I'm afraid it's gloomy days," said Mr Kennedy Maxwell, chairman of JCI's gold division.

Problems at the Western Areas mine – which posted a net loss of R17.3m ($6.55m) compared with a R1.72m profit in the previous three months to March – have forced the directors to issue a cautionary statement advising shareholders that they are "considering recommendations for the restructuring and re-financing of that company."

Mr Maxwell said he hoped to be able to disclose the details of the recommendations within a week.

He stressed that considerable efforts had been made over the past year to increase the amount of gold the mine produced and said the position had "improved quite considerably." Gold production was up 18 per cent for the year.

The results were a function of the weak gold price and a 20.8 per cent increase in costs on an annualised basis. The costs increase was the result of the increased mining of more costly conventional tonnage in the south division, and a disappointing performance from one or two of the trackless areas in the north division.

The larger and more profitable Randfontein showed a R29.95m profit for the quarter, but this was 34 per cent lower than the R45.4m in the previous quarter.

Mr Maxwell said the operational results in the quarter were satisfactory – greater ore throughput, working costs down and more gold produced – in spite of problems in the Doornkop section. These problems have been addressed by moving production to Cooke No 3 shaft.

The developing mine Joel continues to encounter problems, and a loss from gold of R15.7m was recorded for the quarter. Mr Maxwell said it was slipping behind plan, the result mainly of unexpected faulting. Sampling results were promising, however.

Bond agrees two more sales to cut debts

By Our Financial Staff

BOND CORPORATION Holdings, Mr Alan Bond's struggling Australian company, yesterday reached agreement on two further disposals as part of his attempt to reduce debt levels.

It is to sell the remaining half of a Rome property for US$70m to Bond Corp International (BCIL), the group's former Hong Kong arm which is now controlled by the Tomson Pacific investment company. BCIL is to develop the Porta di Roma site as a commercial and office complex.

The Perth-based Bond Corporation has also agreed to sell Observation City, a 337-room luxury resort hotel on the northern fringes of the city owned through Austmark International, a 47 per cent offshoot. This sale, to a private company called Pakwell, will raise A$77.3m (US$60.87).

Anglovaal mining profits drop

By Philip Gawith

TOTAL taxed profit at the four gold mines in South Africa's Anglovaal group dropped 17.9 per cent to R51.9m ($19.7m) in the quarter to June as a result of a decline in production, escalating costs and a weaker gold price.

Total gold production dropped to 10,508kg from 11,108kg in the previous three months to March and the gold price was some 6 per cent lower.

At Hartebeestfontein, which produces around 73 per cent of the group's gold, tonnage and yield were both down, and gold recovery thus dropped 6 per cent to 6,996kg. General cost escalations together with lower mill throughput saw unit costs increase by 4.3 per cent to R198.48 a tonne.

Even so, the mine remains among the lowest cost producers in the industry. Working profit in the mine's main plant was down to R66.7m from R96.1m.

Two of the group's mines, Eastern Transvaal Consolidated (ETC) and the Village Main Reef surface operation, reported higher after-tax profits.

ETC lifted its after-tax profit to R9.2m from R7.5m but this was due mainly to a sharply reduced tax bill of R1.9m against R6.4m. Working profit was down, reflecting the lower gold price, but milled throughput and yield improved.

Village also showed higher after-tax profits over the previous quarter on account of a much reduced tax bill. Loraine, one of the highest cost producers in the industry, made an after-tax loss of R1.2m following a profit of just under R4m in the previous quarter.

Last month the company announced a rationalisation programme aimed at reducing costs and minimising the extent of future losses. Some 600 workers will be shed over four months and milled throughput will be reduced by 10 per cent to about 120,000 tonnes a month.

Mitsui Osk in talks over ferry stake

By Our Financial Staff

MITSUI OSK Lines, Japan's second largest international shipping company, is engaged in talks over taking a potential stake in Kansai Kisen Kaisha, a smaller domestic operator of passenger liners and ferries, mainly on the Osaka-Beppu route.

This emerged yesterday after the Tokyo Stock Exchange halted trading in Kansai Kisen shares after a flood of speculative buy orders representing more than 1 per cent of its capital.

At the last traded price of Y690, up Y16 from Monday, the whole of the company would be valued at roughly Y91bn ($614.8m). However, neither Mitsui Osk nor Sumitomo Bank – which already holds nearly 5 per cent and is also said to be involved in the talks – would specify how much of Kansai Kisen they were seeking to buy.

Kansai Kisen made group net profits of Y1.46bn last year on revenues of Y24bn.

Stockbroker's valuation holes Adelaide Steamship

By Kevin Brown in Sydney

ADELAIDE STEAMSHIP, Mr John Spalvins's Australian investment group, yesterday blamed a stockbroker's report for a sharp fall in the value of the group's shares over the past four trading days.

The group's statement followed a query from the Australian Stock Exchange, seeking an explanation for a fall in the share price of Adsteam, Mr Spalvins's main company, from A$5.40 on July 12 to A$4.15 at close of business on Monday. Adsteam closed 7 cents lower yesterday at A$4.08.

In a statement to the exchange, Mr George Macdonald, acting company secretary, said the board believed there was no good reason for the fall in the share price.

"The weakness in our share price is primarily attributable to unjustified market sentiment generated by the impending release of a report by Baring Securities," Mr Macdonald said.

"This report was finally released to selected institutions last night (Monday). The board accepts neither the reasoning nor the conclusions drawn by that report, and will take all appropriate steps to protect the interests of its shareholders."

Mr Macdonald also urged the stock exchange and the National Companies and Securities Commission, the corporate watchdog, to inquire into recent trading in the company's shares.

The report, by Mr Viktor Shvets, was given only limited circulation by Baring Securities after Adsteam objected to the contents. The report is understood to value the group at between A$2.80 and A$5.60, depending on the valuation of complex cross-shareholdings between Adsteam and associated companies.

The group was subjected to heavy selling pressure in the market in February, following a report by Australian Ratings which raised concerns about its capital base and interest cover.

INTERNATIONAL CAPITAL MARKETS

Treasuries cling to narrow range as trade gap widens

By Janet Bush in New York and Tracy Corrigan in London

US TREASURY bonds continued to trade in a narrow range yesterday, showing no reaction to a clutch of economic figures.

In late trading, short-dated maturities were up to ⅛ point lower while the Treasury's benchmark long bond was quoted ⅛ point higher for a yield of 8.45 per cent.

The US merchandise trade deficit widened to $7.73bn in May from a revised $7.31bn in April, which was in line with economists' forecasts and had little effect on bond prices.

GOVERNMENT BONDS

Industrial production rose 0.4 per cent in June compared with a gain of 0.6 per cent in May, and industry's capacity usage rate was up 0.2 per cent at 83.5 per cent in June. May's industry operating rate was revised to 83.3 per cent from 83.6 per cent previously reported.

Although the industrial production and capacity utilisation figures were somewhat stronger than the market had anticipated, there was very little response.

The bond market apparently derived little benefit from a sharp fall in crude oil futures in the morning. August crude oil futures were quoted in late morning trading at $18.33 a barrel, 34 cents down on Monday's close.

This week's stagnation in bond prices comes after Friday's lowering of the US Federal Reserve's target for Federal Funds to 8 per cent – their level yesterday morning – from 8¼ per cent for most of this year.

Mr Alan Greenspan, Fed chairman, took the unusual step on Thursday of telling the markets that he was about to ease policy. Now the market is eagerly awaiting his half-yearly Humphrey-Hawkins testimony on monetary policy before the Senate Banking Committee today for any insights into the thinking behind the easing in credit conditions.

■ In London, gilt prices slid ⅝ point, retracing Monday's gains, when June's Public Sector Borrowing Requirement came in at £2.6bn, substantially above market expectations of around £1bn.

"The number suggests the budget surplus which the Government enjoyed over the last three years is evaporating rapidly," said Mr Neil MacKinnon, chief economist at Yamaichi International. For the gilts market, this means that "the Government's buy-in programme is coming to an end" and fresh issuance will resume, perhaps by the end of the year.

This could deter fresh overseas investment, as the currency is considered to be at or near its highs, and high inflation is wiping out real interest rates.

Nevertheless, sterling's entry, perhaps imminently, into the Exchange Rate Mechanism of the European Monetary System is still "a story well told" says Peter Bassett, an international bond salesman at James Capel.

"Very few investors want to sell into this market," he said.

The 10-year gilt future contract on the London International Futures Exchange fell through a support level at 85 to end at 84.26.

■ German bond prices were also hit by a shift in sentiment. Analysts said that fears of a supply overhang, with new Bund and Unity bond issues due shortly, were depressing the market, and there was some profit-taking.

The 10-year Bund future contract on Liffe dropped below the 85 level to 84.67.

The French franc gained ground against the D-Mark, when French Finance Minister Pierre Bérégovoy claimed a place for the franc in the hard core of four currencies that he said would set the pace for European monetary union. The insistance on a strong franc is perceived as crucial to the Government's anti-inflationary stance.

The French bond market was little changed, outperforming the declining German bond market, having lagged behind gains there on Monday. Consequently, the spread between the two markets narrowed by a few basis points to 112 basis points.

■ Prices fell a touch again in the Japanese bond market, due to a slight firming of short-term rates, as the bond market continues to underperform the currency market.

The no. 119 benchmark JGB yield moved further towards the upper end of its current trading range of 7.1 per cent to 7.3 per cent, but the currency appears to be retaining its gains against the dollar.

● Tokyo Stock Exchange (TSE) is to establish a European research office in London from Monday, Reuter reports from Tokyo. The TSE opened a New York research office in 1986. "As the TSE has grown so large, it has to act accept its global responsibilities," said Mr Nagaoka, president of the TSE.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-15	-04/32	12.42	12.62	12.43
		10.500	5/99	93-06	-18/32	11.75	11.94	11.88
		9.000	10/08	85-06	-23/32	10.87	11.00	10.81
US TREASURY *		8.875	05/00	102-27	+01/32	8.44	8.55	8.43
		8.750	05/20	103-05	-01/32	8.46	8.54	8.40
JAPAN	No 119	4.800	6/99	86.7888	-0.210	7.24	7.24	7.03
	No 2	5.700	3/07	90.6938	-0.140	6.90	6.86	6.85
GERMANY		7.750	02/00	95.3000	-	8.47	8.73	8.86
FRANCE	BTAN	9.000	02/95	96.5499	+0.038	9.91	10.01	10.04
	OAT	8.500	03/00	93.2000	-0.030	9.59	9.71	9.72
CANADA *		9.750	05/00	94.4500	+0.250	10.67	10.74	10.66
NETHERLANDS		9.000	05/00	101.8800	-0.160	8.70	8.84	9.00
AUSTRALIA		12.000	7/99	93.9318	+0.198	13.17	13.31	13.57

London closing, *denotes New York closing session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 6 7/8 93	150	99¼	99¾		9.17
ALBERTA PROVINCE 9 3/8 95	600	101¼	101⅝		9.05
AMERICAN GENERAL 9 3/4 95	150	97½	99		10.42
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92⅝	93⅝		9.58
KREDIETCORP 7 93 LFr	1000	93½	94½		9.54
WORLD BANK 8 96 LFr	1000	93⅞	94⅞		9.41
[illegible]					

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
NIPPON TEL & TEL 5 7/8 96	60000	91⅝	91⅞	-⅛	7.31
NORWAY 5 1/8 95	50000	95	95¼		6.89
SWEDEN 5 5/8 95	50000	92⅝	92⅞	-⅛	7.01
WORLD BANK 6 3/4 00	20000	93⅞	94¼	-⅛	7.10
	50000	99¼	99½	-⅛	6.85

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Prem.
[illegible]					
TEXAS INSTRUMENTS 2 3/4 02	300	82⅝	77½	78	+59.79
THORN EMI 5 3/4 04 £	103	7.45	106⅛	107⅝	+7.06

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Salomon launches Finnish warrants

By Tracy Corrigan

SALOMON Brothers International has launched the first issue of warrants on a basket of "restricted" Finnish shares. The two-year call warrants have a value of FM300m.

Restricted shares, available only to domestic investors, trade at a 40 per cent discount to "free" shares, which are open to all investors, but offer reduced voting rights to protect Finnish companies from foreign predators. The issue offers international institutional investors access to the restricted shares market through a derivative product.

There is no physical delivery, since neither international investors, nor indeed Salomon Brothers, can hold the shares. Settlement is in cash.

The Salomon basket consists of eight restricted blue chip industrial stocks. The financial sector was excluded, because of its poorer outlook.

The pricing of the warrants will be on or before July 30, between FM25,000 and FM26,000. The strike price is FM103,115.25, approximately 5 per cent out of the money. The value of the basket is about FM98,060, giving a total premium of about 30 per cent.

The American-style warrants can be exercised between August 20, 1990 and July 30, 1992, and will be listed on the London Stock Exchange.

Mexico picks first banks for privatisation

By Richard Johns in Mexico City

PRIVATISATION of Mexico's state-owned banking system will start with the sale of four regional institutions, the bidding procedures for which will be announced within a month, according to Mr Pedro Aspe, Minister of Finance.

The four banks are Banca Promex, Banoro, Banco del Centro and Banco Mercantil del Norte. All four are said to have strong balance sheets. Banca Promex is the most profitable of all the 18 commercial banks which the Government will eventually put up for sale.

Foreign banks and investors will be allowed to acquire up to 30 per cent of the banks under the secondary legislation which came into force at the weekend.

Senior ministry officials say Canadian, German and Japanese institutions have so far shown the most interest in taking a stake in Mexico's state banks, which are 66 per cent controlled by the Government.

Contrary to previous indications, the Government's intends now to divest itself of its entire bank shareholdings. No time limit has been set on completion of the process.

Asked about the limit placed on foreign share ownership, the head of a British trade mission said: "I think it would have been more attractive if they had been offered immediate majority participation."

Akbank plans listing for 5% of capital

By Jim Bodgener in Ankara

AKBANK, Turkey's leading retail bank, plans to sell 5 per cent of its TL1,000bn ($384m) capital via a public flotation on the Istanbul Stock Exchange.

A group of foreign investors lead by Banque Indosuez, the big French investment bank, will purchase a fifth of the total issue.

In Turkey, the shares will be sold between July 23 and 25 at TL12,000 per share.

Banks are exempt from the normal 15 per cent minimum capital requirement for stock market listing. Akbank's profits topped TL250bn in the first half of 1990 and were likely to end the year more than double their 1989 level, according to senior bank officials.

Founded in 1948, Akbank is part of the major industrial and commercial conglomerate owned by the Sabanci family, and is perhaps the only private sector institution to approach the size of the larger state banks. The proceeds of the issue would be used for new and current projects.

Foreign investors are being allowed to buy the shares at the same price as domestic investors. This is the first time that foreign investors have not had to pay a premium.

The flotation, long awaited in Turkish financial circles, is a further sign that Turkey's great family owned conglomerates are beginning to open up to outsiders and release once jealously guarded equity into public ownership.

INTERNATIONAL CAPITAL MARKETS

Midland Bank to shut US primary bond dealership

By David Lascelles, Banking Editor

MIDLAND BANK is to shut down its New York-based US government securities dealership, Midland Montagu Securities, as part of a restructuring which will involve the loss of 140 jobs.

The announcement came as something of a surprise because the operation had recently been transformed from a loss-maker into a profitable business. Midland, however, has decided it should focus its US operations more closely on activities which it considers to be of strategic importance: cross-border corporate and investment banking, treasury and foreign exchange.

Midland's capital position has also recently come under renewed pressure, and the bank has been disposing of surplus businesses. But it has not been possible to find a buyer for the MMSI because of huge overcapacity in the market.

Midland said yesterday that the operation, while profitable, was one of the smaller players in the highly competitive US government securities market.

Its market share was 1.5-2 per cent.

Midland first acquired the business through Crocker National Bank, the California Bank which it bought in 1980, and was subsequently forced to sell after piling up huge losses. Midland kept Crocker's Treasury bond dealing business in order to preserve a presence in the US securities market.

There are no plans to transfer any of the business or employees to the Marine Midland Bank, the US subsidiary of the Hongkong and Shanghai Bank, which is also a Treasury dealer.

However, it is thought possible that Midland may seek a co-operation agreement with Marine Midland. The Hongkong Bank owns 14.9 per cent of Midland, and the two have been rationalising their operations worldwide.

The $100m capital released by the close of the dealership will be redeployed elsewhere in the Midland group. The closure will leave Midland with 188 people in the US.

Midland's retreat is the latest by several foreign banks from the US treasury market. NatWest, Lloyds and Westpac have quit recently. Of UK banks, only Barclays and S. G. Warburg remain.

● Midland Bank and Hongkong and Shanghai Bank have linked their electronic banking and cash management systems in 28 countries. This will enable customers of both banks to receive balance information and to make payments and transfers over accounts held at either bank.

The banks said the link was part of their continuing business co-operation.

Sovereign borrower for Spanish bond market

By Tracy Corrigan

THE KINGDOM of Denmark is expected to become the first sovereign borrower to tap the Spanish bond market, following further deregulation by the Spanish Treasury.

Although authorisation has not yet been granted officially, the move has already been agreed, according to a Spanish Treasury official, and the issue could emerge as soon as today.

Spain's bond market was first opened to non-Spanish borrowers in February 1987, with access limited to supranational agencies. The first such "matador" bond was launched in May 1987, but the volume of deals did not become substantial until the following year.

The advent of sovereign borrowers, expected for some time, is part of the Treasury's liberalisation process. The next step will be to grant access to government-guaranteed borrowers, according to the Treasury official, who expects this to be accomplished in about a year's time.

The size of Denmark's debut issue has not yet been decided, according to an official at the Danish ministry of finance, but will probably be around Pta10bn. The maturity is also flexible.

Denmark plans to swap the funds into D-Marks or Swiss francs, possibly via floating-rate dollars, if rates are sufficiently attractive. The issue will be underwritten by JP Morgan Espagna and Banesto.

Japanese warrant deals run to big premiums

By Andrew Freeman

THE LATEST Japanese equity warrant issues traded at 7¼ and 7 point premiums to their launch prices yesterday on the Eurobond market. In hectic business thereafter, deals emerged with pricing that prompted some syndicate managers to describe an old-fashioned shoot-out between underwriting houses.

According to some participants, the success of the equity warrant deals in the period since the market was reopened earlier this month has raised the danger that renewed profitability would bring a return to the fierce price war of last year.

Nomura International was the lead manager of the $250m four-year issue for Selyu, one of Japan's leading supermarket chains. The deal carried a fixed 4¼ per cent coupon in line with recent practice and traded strongly at 107½ bid.

In Germany, Nomura Bank (Deutschland) brought a debut DM110m deal with warrants for Inabata, a specialist chemicals company. In broad interest, the paper traded at 107 bid. The last Japanese equity-related deal in Germany was in February, when coupons were 1⅝ per cent.

However, the main action yesterday was in the Eurodollar sector where two three-year maturity issues were launched. In mid-afternoon, Bankers Trust led a $250m unswapped deal for General Electric Capital Corporation. Within an hour, Swiss Bank Corporation brought a $150m deal for itself.

There was amazement at the price of the GECC bonds. A recent similar issue for the borrower, ironically syndicated by SBC, carried a 9 per cent coupon and was priced at 38 basis points over Treasuries.

That deal was a blow-out, trading on hot demand from investors who appeared successfully to have called the peak in US interest rates. Yesterday's issue carried an 8⅝ per cent coupon and was priced to yield 31½ basis points over Treasuries, indicative of a violent bidding competition for the mandate.

Other houses claimed they had bid at much wider levels. One priced the bonds at 42 basis points all-in to be reoffered at 35 basis points over Treasuries.

The indications were that Bankers Trust would have a difficult job placing the paper, relying on eventual retail interest over the next few weeks.

However, a Bankers Trust official said the deal had been based on two main ideas. First, the group's Zurich office was reporting very heavy demand for short-dated dollar paper, demand which would not be filled by the SBC deal alone. Second, BTI was able to write one large ticket for a single account which wanted three-year assets, leaving well under half the issue to be syndicated.

When the SBC deal emerged, offering a 9 per cent coupon and a more generous yield, traders said the GE deal would be deprived of crucial demand in the Swiss market.

SBC was quoting its issue at 100.95 bid, well inside fees and implying a spread over Treasuries of around 20 basis points. BTI was unperturbed, quoting the GECC paper at less 1⅞ bid, a discount equivalent to full fees.

Elsewhere, Merrill Lynch had a busy day, bringing two Australian dollar deals. An A$500m zero coupon issue for the New South Wales Treasury Corp had a fine reception from specialist investors and was doubled in size during syndication.

Launched with a price of 8¹¹⁄₁₆ per cent, the 20-year maturity bonds were sought after and at one point traded above 9 per cent, before settling after the increase at 8¼ bid, well above full underwriting fees of 90 basis points.

An A$100m five-year deal for GECC (Canada), swapped into floating-rate Canadian dollars according to traders, was judged as fairly priced for retail demand and was trading on fees at less 2 bid.

Bankers Trust brought a C$100m deal for Swedish Export Credit to an average reception. Talk that the bonds were tightly priced amid lack of demand was reflected in an unremarkable trading performance.

It appeared the issue was swap-driven, with traders saying the proceeds had been swapped into floating-rate US dollars to achieve a funding rate of around 33 basis points below Libor.

A busy day on the Swiss foreign bond market saw the successful launch of a SFr200m 10-year deal for the Province of Saskatchewan by Credit Suisse. The bonds carried a 7 per cent coupon and were quoted at less 2 bid, inside fees of 2⅝ per cent.

Two Japanese convertibles attracted interest. A SFr91m five-year deal for Daido Steel Sheet was brought by UBS with a fixed 5 per cent coupon and without a put option, the first deal not to have a put since April last year when coupon levels were 1⅝ per cent. The deal traded at a 2 point premium. Yamaichi Bank launched a SFr85m deal for Sakurada, an iron works company, to a fine reception. The bonds traded at 103 bid.

In Germany, the DM350m deal for Ceskoslovenska Obchodni Banka, the Czech foreign trade bank, was trading at 100¼ bid, a gain of 40 pfennigs on the day.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Selyu Ltd ♦	250	4¼	100	1994	2¼/1½	Nomura Int.
Gen Elec.Capital Corp.(a)♦	250	8⅝	101.10	1993	1⅜/⅞	Bankers Trust Int.
SBC Fin (Cayman Islands)(a)♦	150	9	101.97	1993	1⅜/1	Swiss Bank Corp.
CANADIAN DOLLARS						
Swedish Export Credit(a)♦	100	12⅛	101⅞	1992	1⅜/⅝	Bankers Trust Int.
AUSTRALIAN DOLLARS						
N.Sth.Wales Treas Corp.(a)♦	500	zero	8¹¹⁄₁₆	2010	90/50bp	Merrill Lynch Int.
GECC (Canada)(a)♦	100	14¼	101⅞	1995	2/1¼	Merrill Lynch Int.
SWISS FRANCS						
Prov. of Saskatchewan(a)♦	200	7	101¾	2000	2⅝	Credit Suisse
Daido Steel Sheet Corp.(b)★★§	91	5	100	1995	1⅝	UBS
Sakurada Co.(c)★★§	85	3⅞	100	1994	1⅝/1½	Yamaichi Bank (Switz)
D-MARKS						
Inabata and Co (a)♦	110	4⅞	100	1994	2¼/1⅜	Nomura Bk (Deutschland)
YEN						
Great Belt A/S(a)♦	15bn	7.2	101.85	1995	1⅞/1¼	LTCB Int.

★★Private placement. §Convertible. ♦With equity warrants. ♦Final terms. a) Non-callable. b) Call from March 31,1993 at 104, declining one point semi-annually. c) Put option Sept. 1992 at 105¾ to yield 6.057%.

Taiwan brokers probed

TAIWAN'S investigative authorities are stepping up checks on local brokerage houses in search of illegal operations, Reuter reports from Taipei.

An official at the Taiwan Stock Exchange said the tighter checks came as a result of the financial troubles of two brokers in the past week.

Ten Jen Securities, one of Taiwan's top ten brokers, was ordered on Monday to stop trading after it failed to explain losses of NT$540m. Last week, Chao Cheun Securities closed after defaulting on settlement of NT$600m.

"The purpose of the checks is to prevent brokers from operating illegally," the official said.

The financial troubles of both brokers followed recent sharp falls on the local bourse. The weighted index closed at 4,818 yesterday, compared with its February peak of 12,495.

● Baring SICE (Taiwan), part of the London-based Baring Securities group, has linked up with ProTeam Financial Management and Consulting to sell overseas mutual funds to Taiwan investors, AP-DJ reports.

Chrysler Credit CP downgraded

DOMINION Bond Rating Service has downgraded Chrysler Credit Canada's commercial paper to R-2 (high) from R-1 (low) and its senior term debt to BBB from A (low), Reuter reports from Toronto.

Dominion's reasons for the downgrading were the earnings decline at parent company Chrysler Corporation of the US. In spite of cutting costs, Chrysler may have a tough time surviving on its own over the next few years, Dominion said.

Stotler Group in trouble

By Barbara Durr in Chicago

STOTLER GROUP, one of the ten biggest futures brokerages in the US, has fallen out of line with the capital requirements of the exchange and the Commodity Futures Trading Commission (CFTC), the industry regulator.

The company, whose chairman is Karsten Mahlmann faces a deadline today for bringing its capital base into compliance.

If it fails to comply, it will be allowed only to liquidate positions and the CBOT may step in to transfer Stotler's customer accounts to other brokerages.

Mr Thomas Egan, chief operating officer of Stotler, said the company was seeking a capital infusion from an outside party and was already transferring customer accounts to other companies.

Under CFTC rules, a brokerage must set aside cash or liquid assets the equivalent of 4 per cent of segregated customer funds. In addition, the CBOT restricts a brokerage's activity when its capital falls below the equivalent of 7 per cent of customer funds.

Stotler shares on the American Stock Exchange fell on Monday by $2.87, closing at $5.

Italy banker against industry shares link

THE DIRECTOR general of the Bank of Italy, Mr Lamberto Dini, said he favoured a clear separation between commercial banks and industrial companies because shareholding links between the two could create a "dangerous relationship," Reuter reports from Rome.

Mr Dini, the second highest official at the central bank, made the comments at a conference sponsored by the confederation of Italian industry, Confindustria. The Italian parliament is discussing whether industrial companies should be able to own controlling stakes in banks as part of broader anti-trust legislation.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Jul 17 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jul 16 Index No.	Fri Jul 13 Index No.	Thu Jul 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	896.56	+0.4	12.92	5.18	9.45	22.72	893.08	883.34	881.29	988.55
2	Building Materials (26)	1122.62	+0.2	13.61	5.36	9.07	30.01	1120.01	1104.54	1105.21	1221.75
3	Contracting, Construction (36)	1467.93	+1.5	16.32	5.61	7.97	35.19	1446.47	1432.56	1445.64	1663.32
4	Electricals (10)	2459.87	+0.9	11.67	5.41	10.54	61.43	2437.72	2399.35	2389.18	2988.51
5	Electronics (26)	1845.89	-0.4	10.23	4.36	12.72	51.23	1854.23	1838.29	1817.72	2233.28
6	Engineering-Aerospace (8)	488.85	+0.7	13.29	4.81	8.97	9.54	485.61	477.14	476.93	0.00
7	Engineering-General (46)	491.08	+0.5	11.99	5.21	10.10	11.34	488.71	485.04	485.90	0.00
8	Metals and Metal Forming (6)	493.64	+1.0	23.39	6.81	5.20	16.45	488.74	482.21	487.17	523.48
9	Motors (14)	363.47	.....	15.28	6.33	7.62	9.81	363.27	360.98	359.66	341.12
10	Other Industrial Materials (24)	1640.35	+0.4	10.76	4.92	10.74	38.49	1633.20	1616.63	1605.85	1704.90
21	CONSUMER GROUP (178)	1339.52	+0.6	9.06	3.77	13.64	21.74	1331.25	1315.96	1311.18	1294.48
22	Brewers and Distillers (22)	1646.36	+0.6	9.24	3.54	13.00	23.74	1636.65	1620.60	1605.61	1428.38
25	Food Manufacturing (20)	1128.41	+1.0	10.08	4.20	12.29	22.71	1117.59	1101.25	1094.12	1204.05
26	Food Retailing (16)	2612.28	+1.2	8.70	3.15	14.72	33.61	2582.04	2548.58	2538.99	2453.49
27	Health and Household (15)	2675.99	+0.5	6.43	2.59	18.51	25.10	2662.11	2632.01	2644.82	2282.18
29	Leisure (32)	1465.44	+0.7	9.90	4.21	12.30	32.35	1455.31	1449.80	1446.62	1704.73
31	Packaging & Paper (12)	625.01	+0.5	10.66	5.50	11.56	12.94	621.72	616.39	614.10	589.34
32	Publishing & Printing (16)	3604.45	+0.6	10.00	5.12	12.51	81.93	3582.23	3545.61	3541.31	3648.89
34	Stores (34)	832.62	.....	10.65	4.50	12.15	15.90	832.16	817.97	810.68	863.72
35	Textiles (11)	495.13	+0.3	12.44	7.26	10.15	18.26	493.72	495.16	495.49	560.87
40	OTHER GROUPS (106)	1210.20	+0.2	10.77	4.91	11.19	20.09	1207.87	1202.93	1198.65	1185.94
41	Agencies (17)	1714.50	-1.8	5.88	2.23	20.56	15.75	1746.00	1725.13	1726.79	1385.63
42	Chemicals (23)	1304.01	+0.1	10.78	5.09	10.85	31.87	1302.63	1302.30	1292.13	1299.35
43	Conglomerates (15)	1661.67	+0.5	10.26	6.01	11.71	31.95	1653.27	1632.74	1617.04	1703.30
44	Transport (13)	2344.97	+0.8	10.50	4.42	12.10	49.33	2326.10	2307.55	2322.24	2504.02
46	Telephone Networks(2)	1267.07	+0.3	10.59	4.45	12.29	3.78	1263.75	1256.35	1257.71	1100.34
47	Water(10)	1924.34	+1.0	16.67	7.04	6.71	68.12	1905.74	1974.33	1978.61	0.00
48	Miscellaneous (26)	1845.08	+0.1	12.01	4.89	9.48	38.44	1843.03	1835.27	1817.04	2030.09
49	INDUSTRIAL GROUP (480)	1200.55	+0.4	10.52	4.46	11.62	22.23	1195.39	1184.61	1180.70	1204.92
51	Oil & Gas (20)	2366.96	-1.1	12.41	5.21	10.56	46.50	2392.59	2375.26	2335.58	2149.94
59	500 SHARE INDEX (500)	1298.45	+0.2	10.78	4.57	11.46	24.26	1295.58	1284.22	1277.57	1285.27
61	FINANCIAL GROUP (108)	819.08	+1.1	-	5.59	-	21.27	810.04	804.24	809.08	775.93
62	Banks (9)	877.85	+1.7	18.66	6.15	7.02	25.62	863.36	856.78	867.32	763.12
65	Insurance (Life) (7)	1491.52	+0.8	-	4.94	-	36.94	1479.96	1468.97	1461.40	1155.26
66	Insurance (Composite) (6)	710.33	+1.4	-	5.82	-	19.43	700.81	695.60	691.91	624.60
67	Insurance (Brokers) (8)	978.89	-0.2	8.79	6.57	14.99	31.64	980.38	985.43	987.13	961.12
68	Merchant Banks (7)	441.08	+0.8	-	4.60	-	10.76	437.74	437.78	436.98	349.63
69	Property (47)	1101.77	+0.5	7.95	4.29	16.15	19.57	1096.43	1084.59	1102.00	1374.09
70	Other Financial (24)	290.53	+0.1	10.50	6.73	12.34	8.66	290.29	289.54	289.43	374.11
71	Investment Trusts (66)	1233.64	+0.3	-	3.11	-	17.97	1230.54	1225.69	1222.22	1201.00
91	Overseas Traders (5)	1436.78	+0.7	9.80	6.36	12.19	44.49	1426.22	1429.56	1431.39	1419.64
99	ALL-SHARE INDEX (679)	1182.81	+0.4	-	4.68	-	23.31	1178.63	1168.82	1164.78	1160.27

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 16	Jul 13	Jul 12	Jul 11	Jul 10	Year ago
FT-SE 100 SHARE INDEX‡	2415.0	+8.5	2430.6	2407.6	2406.5	2382.2	2370.5	2360.5	2327.5	2273.1

FIXED INTEREST

	PRICE INDICES	Tue Jul 17	Day's change %	Mon Jul 16	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.58	.....	115.57	-	7.20
2	5-15 years	122.32	-0.27	122.65	-	7.27
3	Over 15 years	126.12	-0.73	127.04	-	6.15
4	Irredeemables	142.54	-0.79	143.67	-	7.35
5	All stocks	122.17	-0.23	122.45	-	7.23
	Index-Linked					
6	Up to 5 years	147.03	+0.02	147.00	-	1.49
7	Over 5 years	136.29	-0.02	136.59	0.27	2.51
8	All stocks	136.99	-0.02	137.26	0.25	2.43
9	Debentures & Loans	100.98	-0.03	101.00	-	6.22
10	Preference	75.05	+0.17	74.92	-	3.58

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 17	Mon Jul 16	Year ago (approx.)
	British Government				
1	Low	5 years	10.74	10.64	9.78
2	Coupons	15 years	10.73	10.63	9.25
3		25 years	10.73	10.63	9.11
4	Medium	5 years	12.01	11.99	10.58
5	Coupons	15 years	11.20	11.12	9.71
6		25 years	10.87	10.77	9.31
7	High	5 years	12.12	12.10	10.70
8	Coupons	15 years	11.44	11.36	9.94
9		25 years	11.08	10.98	9.52
10	Irredeemables†		10.90	10.71	9.17
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.38	5.37	3.36
12	Inflation rate 5%	Over 5 yrs.	4.31	4.31	3.59
13	Inflation rate 10%	Up to 5 yrs.	4.19	4.19	2.53
14	Inflation rate 10%	Over 5 yrs.	4.11	4.11	3.41
15	Debs &	5 years	13.95	13.72	12.41
16	Loans	15 years	12.80	12.83	11.82
17		25 years	12.53	12.53	11.30
18	Preference		12.64	12.65	10.31

‡Opening index 2407.6; 9 am 2414.4; 10 am 2410.7; 11 am 2427.5; Noon 2428.9; 1 pm 2427.2; 2 pm 2424.9; 3 pm 2419.6; 4 pm 2416.0; 4.10 pm 2415.7. (a) 11.27am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	77	17
Corporations, Dominion and Foreign Bonds	0	5	18
Industrials	385	276	912
Financial and Properties	170	123	447
Oils	17	35	36
Plantations	1	1	8
Mines	31	51	82
Others	62	89	92
Totals	671	657	1,612

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings July 16
- Last Dealings July 27
- Last Declarations Oct. 18
- For settlement Oct. 29

For rate indications see end of London Share Service

Calls in Aviva Pet., Brunning, Ford Sellar Morris Props., Meekatharra and Trafalgar House.

LONDON TRADED OPTIONS

THE LARGE gap between the FT-SE 100 futures and cash indices narrowed yesterday as a UK brokerage house took advantage of the discrepancy between the two markets by executing a large arbitrage trade. In the traded options market, turnover increased ahead of the expiry of July equities.

The September FT-SE future had opened strongly following the rally on Wall Street and as the squeeze from the previous session persisted. However, the September contract was unable to clear resistance at 2,500, and as fresh buyers failed to appear the rally began to run out of steam.

A UK brokerage then sought to exploit the premium of the futures market over the cash index by selling around 400 futures contracts and buying approximately 25m shares. This forced the cash market up and put the futures onto the defensive. This eased the squeeze in the futures market and caused it to drift sideways during the afternoon.

September closed at 2,476.0, down 8.0 on the day. The premium over the cash index ended at 60 points, compared with 80 the previous day, and Barclays de Zoete Wedd's fair value calculation of around 45 points.

In the traded options market, dealing was dominated by the expiry of July equity options. A total of 37,168 contracts changed hands, compared with 27,960 in the previous session. Yesterday's total was made up of 27,545 calls and 9,623 puts.

The FT-SE index options traded just 5,907 lots from 6,331. This consisted of 4,079 calls and 1,828 puts. The July 2,400 calls were the most active, trading 881 contracts.

BP was the most active equity option as trading continued to be boosted by the recent increase in business in the underlying securities. BP traded 4,777 contracts, of which 3,551 were calls and 1,226 were puts. Activity was dominated by one house, which was reported to have sold July 330 calls and October 330 puts and bought the July 330 puts and October 330 calls.

[illegible]

UK COMPANY NEWS

Interest charges and weak furniture sales blamed for downturn

Asda tumbles 27% to £180.3m

By John Thornhill

ASDA GROUP, the supermarket chain, yesterday reported a sharp fall in annual pre-tax profits as the company was hit by high interest charges, weak furniture sales and distribution disruptions.

But Mr John Hardman, chairman, said although the results were disappointing, Asda had entered the current year in a healthier strategic position following the acquisition of 60 superstores from Gateway and the introduction of a new distribution system.

The pre-tax outcome of £180.3m in the year to April 28 represented a 27 per cent fall from the previous year's £246.6m. Turnover, however, rose strongly from £2.71bn to £3.55bn, an increase of 31 per cent.

The market had already discounted these results after an earlier profits' warning and marked the shares up 4p to 118p on learning about the sale of two properties to Tesco for £19m.

Operating profits from Asda's stores rose by 17 per cent to £206m (£176.1m). And Gazeley, Asda's property arm, increased profits to £12.4m (£9.5m).

But these advances were dragged down by a £25m fall in the contribution from Allied Marples and Asda's 25 per cent share of MFI. These two furniture businesses chipped in only £5.2m compared with £30.2m last time.

Increased borrowings, stemming largely from the £705m Asda paid for the Gateway stores, resulted in an interest charge of £29.9m. This compared with interest receivable of £34.5m in the previous year.

Difficulties in setting up Asda's new distribution system also undermined profits to the tune of £16m. But Mr Hardman claimed these problems had been resolved. "We now have the latest state of the art distribution system which we believe will be of significant long term benefit to the company."

Mr Hardman added that the integration of the Gateway stores was going well but would continue through the current year.

The full range of "George" clothing – developed by George Davies of Next fame – has now been introduced in 65 of Asda's superstores. This should rise to 75 per cent of the total by the year end.

The final recommended dividend is maintained at 2.95p which gives an unchanged total of 4.8p. Fully diluted earnings per share eased to 10.13p (13.82p).

Mr Hardman said it would be unwise to be overly optimistic given the current economic conditions but that trading was encouraging.

● MFI Furniture Group, the furniture retailer formed through a £718m leveraged buy-out from Asda, recorded an annual pre-tax loss of £3.5m compared with profits of £65.6m the year before.

Sales declined to £594.9m (£601.7m) even though they included results from a 10 per cent increase in sales space. Operating profits fell to £50.9m (£91.4m) while interest charges grew to £57m (£48.5m).

Mr Derek Hunt, chairman, said: "I can do nothing to control interest rates. But everything else is under control."

See Lex

Alan Harper

John Hardman – Asda has entered the current year in a healthier strategic position

Eurotherm at £6.7m in uncertain trading

By Clare Pearson

PRE-TAX profits of Eurotherm International, the industrial process control manufacturer, fell from £6.7m to £6.39m after a near-doubling in the net interest charge from £565,000 to £1.04m.

Mr Jack Leonard, chairman, said in spite of the increased charge pre-tax profits would have been higher than last time if sales had not fallen below expectations. They were 18 per cent ahead at £80.1m (£67.86m).

The shares fell 19p to 251p.

"If we'd made another £750,000 worth of shipments we would still have come out ahead. It's as sensitive as that," he said.

The interest charge, about the same as in the second half of last year, reflected increased working capital, higher UK interest rates and higher borrowings to meet earn-out payments.

Mr Leonard attributed the shortfall in orders to uncertain trading in the UK and US. Although he already saw some encouraging signs of recovery, he did not expect conditions to improve in the second half.

Eurotherm was benefiting from earlier moves to boost overseas turnover, which accounted for 70 per cent of sales. Mr Leonard noted a £3m smelter project for India and various negotiations for orders with eastern European countries and the Soviet Union.

Earnings per share stood at 9.75p (10.09p). The interim dividend is lifted to 2.5p (1.75p).

● COMMENT

All bad news on small companies seems to be very bad news these days: Eurotherm certainly dealt the market a bit of a shock with these figures yesterday. The profits setback is a function of the company's very high fixed cost base. Eurotherm does appear to have misjudged matters by loading up administration costs in anticipation of orders that in the event fell short of its expectations. But analysts did not seem particularly ruffled. They had seen short-term setbacks before, and Eurotherm's overall growth record has still been impressive. In the year to end-October 1987, for instance, its pre-tax profits stood at just £12.8m. Forecasts for the current year vary widely between £15.4m and £19m, against last year's £17.5m; but followers are focusing instead on an expected bounce next year which should take the figure up past the £20m mark. The shares are getting near the level where they are worth picking up.

New index fund for ex-Globe holders

By Sara Webb

THE BRITISH Coal pension funds said yesterday that they would push ahead with plans to launch an index tracker fund for former investors in Globe Investment Trust.

The index tracking trust is aimed particularly at those small Globe investors who wish to remain in a UK equity-based investment while deferring their capital gains tax liability. So far 469 Globe investors have chosen to put their money into the new index fund, worth over £13.37m.

The Malvern Index Trust will track the FTA All-Share index and is the first UK index tracker investment trust. It will be managed by Edinburgh Fund Managers, indirectly controlled by CIN Management, managers for the Coal Board pension funds. BCPF has invited Globe to put forward one of its non-executive directors to join the board of Malvern Investment Trust.

Mr Malcolm Le May, director of Barclays de Zoete Wedd which acts as financial adviser to the Coal Board funds, estimates that the new index fund will go to a discount of between 3-5 per cent once it is launched on August 6. This is much narrower than the average investment trust discount. Mr Le May believes this is partly due to the fact that the new investment trust will have a lifespan of three years before being wound up.

The Coal Board funds, which launched a £1.03bn (subsequently raised to £1.11bn) bid for Globe in April, have now acquired just over 75 per cent of the shares. They offered investors three alternatives: payment in cash, loan notes or shares in an index tracker fund, although the last was conditional upon at least 200 investors opting for the index fund and putting up a minimum of £10m.

Allied Irish US offshoot makes $20m provision

By David Lascelles, Banking Editor

First Maryland Bancorp, the US subsidiary of the Allied Irish Banks, is suffering from the effects of the slump in the US real estate market.

The Baltimore-based bank yesterday reported second quarter net income of \$6.8m (£3.8m), down from \$16m in the same quarter last year. This included a special \$20m provision for possible real estate loan losses.

First Maryland's loan loss reserves at June 30 stood at $143m, representing 2.64 per cent of total loans and 206 per cent of non-performing assets.

Mr JE Casey, chairman, said that while he continued to have confidence in the marketplace, "we believe prudence dictates that additional loan loss provisions be made in the light of current market conditions."

Contract losses hit newcomer Wescol

Wescol Group, the USM-quoted construction concern, told shareholders in a trading statement that its results for the year to July 31 would be affected by a number of exceptional contract losses amounting to about £1.5m.

They arose principally from the appointment of receivers at Rush and Tomkins in April and at two other companies in July.

As a result, the board said, results for the second half of the year would show a significant loss, although there should be a profit for the year as a whole.

Wescol came to the USM via a placing at 97p in November 1989. Its shares closed at 58p, down 18p, yesterday.

Correction

Robertson Group

Robertson Group, the natural resources consultancy, sold all its shares in Plateau Mining when Plateau was floated on the London Stock Exchange in January and does not have management control as was inadvertently suggested in a story about Plateau's interim results yesterday.

Wholesale restructuring in an attempt to cater for all tastes

Clay Harris on Booker's offer for Fitch Lovell

BOOKER intends to become nothing less than "the Sainsbury of wholesaling," Mr Jonathan Taylor, the agribusiness and food distribution group's chief executive, said yesterday.

Realising the sweeping ambition of his words, and perhaps thinking of the conclusion to which some incorrectly jumped about Mr Nicholas Ridley's recent musings, Mr Taylor noted he had sipped only "one eighth of a glass of white wine."

Mr Barry Skipper, who has run Booker's food distribution business since 1982, longer than Mr Taylor has been at the helm of the group, had not heard his task put quite that way before. But he knows exactly how he plans to achieve it.

If Booker succeeds in its £302m recommended takeover offer for Fitch Lovell, owner of its main competitor in third-party catering services, Mr Skipper will cut costs by closing depots, selling vehicles and buying in larger volumes.

Booker and Fitch have approached distribution in contrasting ways, although that will not exclude Booker from stealing some of its erstwhile rival's clothes.

All of Booker's 12 depots and its delivery trucks are multi-temperature. Frozen, chilled and ambient food are stored on the same premises and delivered in the same compartmentalised vehicles. This has enabled Booker to achieve better overall margins than Fitch.

Fitch has two separate distribution systems for ambient and frozen food, with no "chill chain" at all. Its sole entry into multi-temperature storage and distribution ended ingloriously after it lost a key contract to Booker in the wake of Burger King's takeover of Wimpy.

But distribution of frozen foods can achieve the highest margins of any single area of catering services, so Booker plans to retain about half of Fitch's 14 frozen depots. Most of 15 ambient facilities will be closed, with only a few being converted to multi-temperature storage.

If economies in catering services is the *sine qua non* of the takeover, Booker has also been attracted by the prospect of moving downstream in fish. It is the second largest UK salmon farmer but its processing role after gutting is limited.

Through the acquisition of Bluecrest and Rossfish Fitch has developed an integrated operation, taking up where Booker's McConnell Salmon leaves off. It processes and supplies a wide range of chilled and frozen fish products.

That exhausts the list of the companies Booker is certain to keep, so it may put on the block operations which accounted for half of Fitch's £32m pre-tax profits last year.

The prospect of finding buyers for these businesses, which include Jus-Rol pastry products, Stocks Lovell bacon and Millers and Robirch sausage rolls, is the one cloud City analysts see over yesterday's deal. However, few will mourn if Booker completes Fitch's escape from the dreaded "pig cycle."

Booker and Fitch are no strangers to each other, thrown together by circumstance in the mid-1980s by the serial predatory attentions of Mr Alec Monk.

Fitch escaped from Mr Monk's Linfood in 1982 and Booker from Dee (as Linfood has been renamed) in 1985.

Along the way, Booker bought Fitch's cash-and-carry stores as well as first Linfood's food services business and then its cash-and-carry operations from Dee. Booker also sold businesses to Fitch, including Parrish & Fenn, the food broker, which is set to return to its original owner.

So while Booker and Fitch have been competing fiercely at the operating level, there has always been a shared strategic vision. In the end, the Fitch board was won round to Booker's argument that a price which allowed shareholders to exit at 14 times historic earnings, which themselves were flattered somewhat by accounting, was preferable to soldiering on, even though this meant the end of its independence after 206 years.

The task of completing the restructuring of Fitch now falls into Booker's lap. However, two Fitch directors, Mr Geoffrey Hankins, chairman, and Mr Stuart Guthrie-Brown, deputy chairman, will join the Booker board. The latter will have executive duties as well as becoming company secretary.

FITCH PROFITS STAGNATE AT £32.3M

Fitch Lovell, the food services group which yesterday recommended a £302m takeover offer from Booker, saw pre-tax profits stagnate at £32.3m in the year to April 28, less than 1 per cent higher than the £32m achieved in 1988-89, writes Clay Harris.

Turnover rose some 17 per cent to £650m (£557.5m). Although earnings per share fell by 10 per cent to 21.83p (24.31p), Fitch is raising the total pay-out for the year to 12.5p (12.25p) with a second interim dividend of 8.5p.

Fitch would have reported lower pre-tax profits than in 1988-89 if it had not taken below the line trading results of certain subsidiaries it either has sold or intends to sell.

Mr Stuart Guthrie-Brown, deputy chairman, said Fitch had been consistent in its accounting, treating trading results as extraordinary from the time it decided to sell a business. Trading profits from the Jacksons tea operation, which was sold to Associated British Foods, were taken below the line as were losses incurred at the Ashmount Foods cooked meats operation, the disposal of which was announced last week.

The £6.35m extraordinary charge also included "the estimated costs of withdrawal from other commodity and non-core operations" which Fitch did not identify.

Profits before interest in distribution fell to £12.86m (£13.87m), while those from manufacturing rose to £21.21m (£18.99m). Businesses no longer part of the group contributed £40,000 (£1.24m) before Booker decided to sell them.

Fitch's interest bill fell to £1.79m (£2.06m). Attributable profits of £21.85m were down marginally from the previous year's £22.27m because of a higher tax charge.

Associated – Henriques suspended

By Peter Montagnon, World Trade Editor

SHARES OF Associated – Henriques, the specialist trade finance house, were suspended at 46p yesterday after the company said it was experiencing cash flow problems because of overdue payments by a small number of clients.

The company, which finances imports by British companies by letters of credit and bills of exchange, had already warned last month that it would show only in a small profit at the mid-year stage. Pre-tax profits for 1989 were £3.27m (£2.01m).

The company said that it was in an advanced stage of negotiation with its bankers with a view to achieving a one-month payment standstill during which it would seek a long-term refinancing.

Mr Milton Levine, chairman and chief executive, declined to disclose the extent of the problem which he said he had arisen with two customers faced with falling retail sales in the US and four or five facing an interest rate squeeze in the UK.

This meant Associated-Henriques was no longer able to obtain finance from its own bankers against bills issued by these clients.

Consequently it faced a liquidity squeeze while it sought to realise the additional security provided by its clients. There was currently no ultimate problem of recoverability of the debts, he added.

Analysts said the company, whose loan book at the end of last year was valued at £49.2m, had been regarded as relatively underborrowed. Its latest balance sheet showed capital and reserves of £10.5m and short-term borrowings of £39.6m.

However, it said last month that the deteriorating economic climate had prompted it to step up provisions for bad and doubtful debts.

Mr Levine said about 15 bank lenders are involved with the company.

One of their concerns is to satisfy themselves of the quality of the additional security accepted by the company which will now have to back up the refinancing.

UK COMPANY NEWS

Securiguard checked after personnel side falls into red

By Andrew Hill

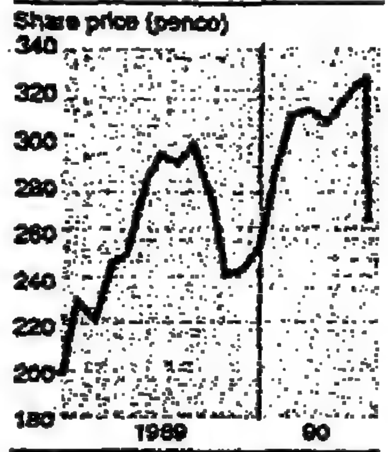
WEAKNESS IN the construction industry has forced Securiguard Group's personnel division into the red in the first half of 1989-90, and threatens to hold back the company's full-year growth.

Shares in the rapidly expanding security systems, building maintenance and parcel delivery group slipped by some 18 per cent yesterday – from 323p to 265p. The shares started to slip on Monday, and Securiguard brought its results announcement forward by a day in case the news leaked out.

Mr Alan Baldwin, chairman, said HeMan Contracts, which supplies contract labour to the civil engineering and construction industry, had lost about £500,000 in the first half and would report a "much more substantial loss" for the year.

The personnel division, of which HeMan is the largest part, was expected to contribute about 20 per cent of group profits in 1989-90 and analysts have cut their full-year forecasts from about £9m to £7m, compared with £6.22m before tax in 1988-89.

In spite of the setback, Securiguard pushed up profits and trading margins in the 28 weeks to May 20, making £3m before tax, against £2.45m in the equivalent period, on turnover of £76.5m (£47m). Earnings per share rose from 9.7p to 10.8p and an interim dividend of 3.2p (2.8p) is declared.



In February, announcing 1988-89 profits, Mr Baldwin described the fast-growing company as "a cast-iron business". He added: "I wouldn't say we were bomb-proof but we're damn near it."

Yesterday he said: "We have misjudged it this year, but looking forward into the following year we will come back very strongly and we should be forging ahead."

Mr Baldwin added it was difficult to predict the performance of the personnel division because it worked on a daily basis. He said there were no immediate plans to sell the business.

Interest payments in the first half reached £902,000, compared with £240,000 of interest received in the first six months to 1988-89.

Mr Baldwin said the company was still comfortable with borrowings of £14m or £15m – nearly twice shareholders' funds.

Securiguard said its other divisions had performed strongly in the first half. Turnover increased by 67 per cent in the cleaning and maintenance division, and 30 per cent in security, which provides a guarding service.

Communications turnover more than trebled following the addition of City Link Transport Holdings, the express courier company, in May 1989.

Hampson trading warning

By Andrew Bolger

HAMPSON INDUSTRIES, the acquisitive West Midlands-based holding company, yesterday warned that its trading outlook was uncertain in the short term.

The statement from the precision engineering, aluminium refining, consumer products and office cleaning group accompanied a 27 per cent increase in pre-tax profits for the year to March 31.

The shares fell 4p to 61p.

Mr John Wardle, chairman, said: "Under normal conditions I should be very bullish about the short-term future. Market conditions are not normal. Although it is a word which one hesitates to use, there is a very strong whiff of recession in the air. There is violent pressure on margins, nobody wants to pay and customers either want their orders yesterday or postponed for a few months."

"In general I think many people share my view that it will be difficult to make as much money in 1990 as in 1989, and there must be doubt about 1991. Most people feel much happier about 1992," he said.

Hampson increased full year profits to £7.91m (£6.23m) on turnover ahead 22 per cent from £57.19m to £69.68m. Diluted earnings per share rose by 11 per cent to 7.89p (7.13p). A recommended final dividend of 1.95p makes a total for the year of 2.55p (1.917p).

A 1-for-10 scrip issue is also proposed.

Manx parliament threatens legislation to maintain independence

Opposition to Steam Packet bid grows

By Sue Stuart in Douglas

SEA CONTAINERS' bid for the Isle of Man Steam Packet Company ran into serious problems yesterday, when the Isle of Man parliament attempted to block the takeover.

In an emergency debate of the House of Keys, the lower house of the Manx parliament, a bill restricting the acquisition of Steam Packet shares was rushed through its first and second readings. The bill seeks to prevent any person or associates acquiring a holding of more than 15 per cent.

Sea Containers, which already owns 41 per cent of the equity, is bidding 115p per share for up to 75 per cent. The hostile offer was launched on June 25.

The bill would be backdated to June 1 this year forcing Sea Containers to dispose of any shares acquired after that date. A committee will look into the legality of backdating, and, if it is satisfied, it will be enacted by the autumn.

Steam Packet's pre-tax results have improved dramatically in the past five years. From losses of £600,000 in 1985, the company showed a profit of £3.5m in 1989.

In its first defence document, issued last Friday, Steam Packet said the performance was due to its own firm management. Sea Containers also claimed credit stating that the change coincided with its involvement.

In 1985 it took a 40 per cent holding in Steam Packet and put two directors on the board. Steam Packet benefited by the injection of £1.5m assets in the provision of facilities to operate roll-on roll-off ferries.

The consensus among Manx residents is that the Isle of Man Government should have control of the shipping line. There is also a fear that outside control could result in commercial interests being placed above the needs of the island community.

For the 70,000 residents of the Isle of Man the Steam Packet is a lifeline. Though Islanders may grumble about the services, they are proud of the fact the 160-year-old Steam Packet is the oldest shipping line still operating in Britain.

Brunning omits dividend after £1.4m loss

By Alice Rawsthorn

BRUNNING GROUP, the troubled marketing services company, yesterday announced it would not pay a dividend after incurring a pre-tax loss of £1.41m in the year to March 31, compared with profits of £962,000 in the previous year.

The group's shares rose by 10p to 61p because of speculative interest in the disclosure that it had a £4m pension fund surplus which produced net tangible assets of 80p per share at the year end. Brunning hopes to realise the pension surplus in a year's time.

Last year Brunning suffered from the sluggish state of the UK advertising market and, what its chairman described as, the "long term inherent problems of the group".

The new management team – headed by Mr Neil McClure, who joined as chief executive from FKB, the sales promotion company now in the throes of financial restructuring – has been reorganising the group by merging some companies and closing others.

The cost of reorganisation – represented by exceptional items of £1.24m and extraordinary items of £1.12m (£111,000) – produced a loss per share of 19.9p (earnings of 14.6p).

Turnover fell to £71.67m (£74.31m) and operating profits to £464,000 (£971,000). Mr Tony Bond, group development director, said the performance had improved in the second half compared to the first.

Brunning also incurred sharply higher interest payments of £628,000 (£9,000) on year end debt of £3m. It hopes to eradicate its debts by the end of the year by selling Burleighfield House near High Wycombe – valued at £1m – and Circulation Distributors, a door-to-door promotion company. In the longer term it intends to raise between £2m and £3m from the sale of land in High Wycombe.

Mr Bond said the group should return to profit this year, albeit not to the level of the 1988/89 financial year.

Cautious statement hits Harrison Inds shares

MR KEN HARRISON, the chairman and managing director of Harrison Industries, the industrial doors, power transmission and castings group, warned shareholders in his annual report that caution was necessary in anticipating prospects for this year.

Following the report, the shares fell 23p to 100p.

Trading in the first quarter of the current year had been maintained, he said, but at lower margins.

This had been caused by continued weakness in the construction industry, high interest rates and additional re-organisation costs.

The half-year results, Mr Harrison said, were therefore likely to be affected.

NEWS DIGEST

New look EMC static at £31,000

PROFITS OF EMC Group, formerly known as the Electronic Machine Company, were virtually static at £31,285 pre-tax for the six months to end-March.

However, the profits were struck after taking account of a £13,517 (£475) loss from discontinued activities.

The new management, which recently took the first steps of turning the defence electronics company into a more broadly based business services group, said the figures represented the results prior to the February acquisition of the Keelquest group and therefore reflected reorganisation and consolidation rather than one of earnings growth.

The directors are currently negotiating the sale of Britannia Bovall Engineering and Ring Sights.

At the same time, they are actively engaged in identifying specialist business services which they consider would enhance the group's current activities.

Earnings for the the six months emerged at 0.51p (0.6p) and the interim dividend is a same-again 0.3p. The group is extending its accounting period to March 31 1991 and accordingly, will consider payment of a second interim with the results for the period to end-September.

DY Davies 17% ahead to £1.45m

In spite of the downturn in the property market, DY Davies, a USM-quoted architectural practice, announced a 17 per cent increase in pre-tax profits for the year to April 30.

With turnover ahead by 18 per cent to £12.9m (£10.9m), the taxable result rose from £1.24m to £1.45m.

On prospects Mr David Davies, chairman, said that given the state of the market and trading in the first few months it would be difficult to achieve a similar result in the current year.

A final dividend of 3.9p is recommended for a 5.7p (5p) total. Earnings improved to 15.9p (14.2p).

Tops Estates doubles to £2.5m

Pre-tax profits of Tops Estates, an investor in freehold shop and office property, more than doubled from £1.2m to £2.53m in the year to end-March.

Rental income climbed from £5.07m to £8.3m. Mr Everard Goodman, chairman, said rental income growth had continued to rise at a satisfactory level and was anticipated to be in excess of £9.7m for the current year.

The total value of group properties rose from £127m to £181m and net assets from £83m to £110m. After a lower proportionate tax charge of £285,000 (£339,000), earnings per share emerged at 5.75p (2.6p) and the proposed dividend is raised from 1.5p to 1.6p.

Sempernova warns on second half

Sempernova, which joined the Third Market last November, has warned shareholders that sales of Semperfresh, an edible coating designed to prolong the shelf life of fruit and vegetables were "very disappointing" last year.

Following the £500,000 loss scored in the first half, heavy marketing and development spending pushed the company further into loss in the second half. However, a significant improvement in trading activities is expected this year.

The company blamed its poor sales on the collapse of the Chinese market after the events of last June in Beijing, consumer reaction to reports of potential toxicity of Alar and other chemicals used on fruit, a virtual cancellation of orders for Chilean stone fruit and the failure of its marketing strategy.

In a letter to shareholders, the company warned that its figures for the year to end-March would not be available for another six to eight weeks because of delays in the consolidation of the accounts of its Australian subsidiary.

European contract hire growth for Lex

In a move to expand its contract hire operations into Europe, Lex Service is to acquire Seltra, a Paris-based truck contract hire company, for an initial £4m.

Lex will take control of half of the Seltra group with options to acquire the balance after two years. Consideration for exercising the options would amount to some £5.6m.

For the year to end-December 1989 Seltra had a profit before tax of £1m and net assets of £2.4m.

Lex will finance the transaction in cash from its own resources.

NEWS IN BRIEF

BENNETT AND Fountain: The subscription by a subsidiary of Voltex of 46.51m shares at 43p has been completed. The company accordingly received £20m cash and Voltex now holds 52.3 per cent of the enlarged B and F ordinary capital. Jack and Philip Pomper have resigned as directors and Philip Aginsky has been appointed chief executive.

BOUSTEAD's 64.6 per cent-owned Singapore subsidiary has acquired 75 per cent in ESRI Australia for an initial A$1.05m (£458,000) and further profit-related payments of between A$500,000 and A$1m.

CAMBRIDGE ELECTRONIC Industries has acquired United Detector Technology Instrument Group for an estimated $2.5m (£1.39m). A cash consideration of $2.35m was paid on July 9 and a further amount may be payable based on the results of a post closing valuation of net assets.

DELTA's Circuit Protection division has acquired the electronic control equipment manufacturer Home Automation (Group) for £3m which incorporates refinancing of borrowings. A two year profits related payment may lead to a further payment in 1993.

DOWTY offer for Dataco A/S accepted by 60 per cent of shareholders and is unconditional.

EVERARDS BREWERY reported taxable profits of £2,000 (£2.43m) for the six months to end-March. Turnover amounted to £13.01m (£11.17m). Profit struck after interest charges of £434,000 (£92,000) reflecting substantial ongoing refurbishment programme. Previous year outcome distorted by profit of £2.14m from property disposal.

FERRUM HOLDINGS is acquiring 76 per cent of the ordinary and all the preferred capital of Cleaning Technology for £402,000 in shares, partly by placing and partly by issue to vendors. CTL makes and rents underwater cleaning equipment for offshore oil industry.

PORTER CHADBURN has completed the sale of Porter Hopkins, its plastics division, to Punchcraft, a private company, for £2m cash. The company also announced it had completed the sale of its engineering activities to Widney.

SANDERSON ELECTRONICS is buying 55 per cent of GAL from General Automation, its 49 per cent US associate, for £1.49m in 250,000 shares and £847,500 cash. Also, it is selling to General Automation 20 per cent of its 45 per cent fully diluted interest in SGA, which distributes General Automation computers in Australia, New Zealand and south east Asia, for £500,000 cash; SGA will become a 47 per cent fully diluted owned subsidiary of General Automation.

SAVE & PROSPER Return of Assets Investment Trust reported net revenue for the year to May 30 of £2.96m (£2.5m). Earnings per share were 9.97p (7.57p) basic or 8.18p (6.33p) fully diluted. A second interim dividend of 3.78p, making a total of 6.25p (4.36p), has already been announced.

SPERATI (CA) (The Special Agency) lifted pre-tax profits to £30,811 (£20,782) in the half-year to April 30. Turnover at this button and trimming merchant was £397,270 (£335,939) and earnings were 21.23p (15.18p) per share.

UK COMPANY NEWS

Perkins Foods eats into Europe with Dutch buys

By Clay Harris, Consumer Industries Editor

PERKINS FOODS yesterday accelerated its expansion in continental Europe with the acquisition of two Dutch companies for an initial Fl 71.6m (£21.4m) in cash and shares.

The food manufacturer and distributor also launched an underwritten rights issue of convertible preference shares to raise £28.9m and forecast a 16 per cent increase in dividend payments this year.

After the purchases of Bakker Lekkerkerk Holland, a convenience foods manufacturer, and K.B. de Soufflé Specialist, a maker of frozen filled pancakes, the UK will contribute less than 10 per cent of Perkins' profits. The Netherlands alone will account for more than 80 per cent.

Future acquisitions are also likely to be on the Continent, according to Mr Howard Phillips, chief executive. Perkins, which moved from the USM to a full listing in London earlier this year, is now seeking a quotation in Amsterdam.

Mr Phillips said Bakker would give Perkins a fourth operational leg, chilled fresh foods, to supplement its existing activities in fruit and vegetable distribution, mushroom processing and frozen foods.

Bakker is also important to Perkins because of its supply arrangements with Dutch supermarkets, distribution channels through which the group hopes to sell other products. Bakker already accounts for half of de Soufflé's pancake sales.

Perkins is paying the equivalent of £14.7m for Bakker – £11.6m in cash and £3.1m in shares – with a further £1.2m linked to future profits. It will pay nearly £6.7m for de Soufflé – £3.4m in cash, £1.6m in ordinary shares and £1.6m in D-Mark denominated convertible preference shares.

The two Dutch companies made combined pre-tax profits of Fl 9.7m in 1989 and have warranted at least Fl 11.4m for 1990.

Perkins, which before yesterday's deals had raised £56m since 1987, said it planned no further calls on shareholders for at least 12 months, except in exceptional circumstances.

The latest rights issue will eliminate the group's gearing and finance planned capital expenditure of £11m.

Perkins shareholders will be offered one convertible preference share at 100p for every 3.7152 ordinary shares, one for every 14.86 D-Mark convertible preference shares and one for every 18.576 nominal of D-Mark convertible loan notes.

The preference shares will pay an 8p dividend and will be convertible into ordinary shares at a price equivalent to 141p, a premium of 11 per cent over yesterday's unchanged closing price of 127p.

In addition to forecasting total dividends of at least 3.6p this year, against 3.1p in 1990, Perkins estimated that it made pre-tax profits of at least £7m in the six months to June 30, compared with £3.7m in the first half of 1989.

Sterling's recent rise against the guilder and the D-Mark would not have significant consequences, Perkins said, because of its policy of substantially hedging non-UK earnings.

Alan Harper

King defends BA's donation to the Conservatives

Lord King, above, chairman of British Airways, yesterday strongly defended the company's £40,000 contribution to the Conservative Party.

He told shareholders who challenged the donation to the Tory Party that the Conservative Government had rescued the airline after years in the commercial wilderness.

"There was no way that this company could go forward. Mrs Thatcher came in, she said she wanted the airline straightened out and she wanted it to be part of the private sector, and that is where it is now."

He responded angrily when a shareholder, who said he was a BA engineer, asked him about the 33 per cent pay increase to £500,000, compared with a 9.5 per cent increase for the rest of the staff.

Lord King replied: "You negotiate the rates that you require, and the best rate that you can. It is not for me to defend that. I am paid and you are paid."

Restructuring planned as Broad Street dips

By Alice Rawsthorn

BROAD STREET Group, the public relations company in which Boulet Dru Dupuy Petit of France recently bought a stake, yesterday unveiled plans for financial restructuring involving a £1.4m rights issue and announced a cut in its dividend.

Mr John Sharkeywho recently left Saatchi & Saatchi to head BDDP's interests in the UK, will become executive chairman of Broad Street succeeding Mr Jimmy Gulliver.

He will oversee the reorganisation of Broad Street's interests into two divisions – corporate and consumer – and the expansion of its financial public relations activities into Europe.

Broad Street saw pre-tax profits fall to £2.19m (£2.43m) in the year to March 31.

The fall reflected the decline in *ad hoc* takeover projects at Broad Street Financial. Its corporate and consumer advertising companies also suffered.

Earnings per share fell to 3.17p (4.03p). The proposed final dividend is cut to 0.1p (0.9p) for a total payment of 0.75p (1.5p).

The group plans to merge Broad Street Financial with Financial Dynamics into one financial PR consultancy. It has already redirected its corporate advertising agency into Broad Street Communiqué, a corporate design company.

The financial restructuring has been triggered by the need to raise £4.9m in deferred payments for Financial Dynamics. Part of this will be raised by the rights issue, details of which will be announced later this week. Broad Street plans to raise £1.4m by issuing new shares at 18p each. Its own shares were unchanged at 18½p yesterday.

BDDP will underwrite the issue resulting in a temporary increase in its holding to a maximum of 40 per cent. In the longer term the issue of shares as deferred payments to Raymond Rudd and Lynne Franks, the vendors of Financial Dynamics, should reduce BDDP's holding to 30 per cent.

In the meantime the Takeover Panel has agreed to waive the requirement that BDDP makes a full bid. Mr Sharkey said BDDP would review its investment in Broad Street within the next year.

Clarke Hooper benefits from strong UK growth

By Alice Rawsthorn

CLARKE HOOPER, the sales promotion group, yesterday dispelled some of the gloom in the marketing services sector by announcing a 78 per cent increase, from £2.28m to £4.07m, in pre-tax profits for the year to April 30.

Mr John Hooper, group managing director, said it had been a "very good year" in which the group had benefited from "tremendous organic growth" in the UK and had resolved its problems in North America.

The shares rose 7p to 135p on the announcement.

During the year turnover increased to £54.5m (£39.76m). Clarke Hooper paid lower interest of £176,000 (£416,000) on year end net debt of £900,000. Earnings per share rose to 16.8p (14.7p). A recommended final dividend of 2.7p brings the total to 4.3p (3.9p).

In the UK – which provides 62 per cent of operating profits – the core sales promotion consultancy lifted profits by 23 per cent to £2.3m.

Mr Hooper said there had been "no significant change in the pattern of business" in spite of the slowdown that has affected other areas of marketing services.

Mr Hooper said the problems in the US were over. This year the group should generate 50 per cent of its profits from the US. In Canada the group was hit by losses from Consultech.

The cost of rationalising Consultech and a provision for legal costs incurred in the claim against the vendors were expressed as an extraordinary item of £868,000.

South-east Asian group buys into Campari Intl

By Jane Fuller

A SWEDISH businessman who bought into Campari International, the leisure and sportswear concern, in 1986 has sold the bulk of his family's stake to a south-east Asian group.

Nearly 30 per cent of the equity has been sold for £8.1m to the Wing Tai Group.

The vendor of the stake is a company owned by the Nordin family trust. Mr Ake Nordin, chairman, and his son Mr Martin Nordin have resigned from Campari's board.

Mr Christopher Cheng, a member of the Hong Kong family which owns Wing Tai, has taken over the chair and two of his colleagues have also joined the board.

Wing Tai, is paying 270p apiece for 3m shares. A further £300,000 may be paid according to profits this year. Campari's shares gained 24p to 230p.

Mr Ake Nordin originally bought nearly 40 per cent of the equity at 49p per share in February 1986. Since then the group has been reorganised, involving asset disposals and a rights issue. The Nordins retain some 6 per cent of the equity.

Campari's interim figures, also announced yesterday, showed a 40 per cent increase to £1.28m (£915,000) in the six months to May 31. Turnover rose to £16.1m (£13.64m) and earnings rose to 9.46p (7.28p). The interim dividend is 2.5p (2p).

DIVIDENDS ANNOUNCED

Asda	fin	2.95	Oct 3	2.95	4.8	4.8
Broad Street §	fin	0.1	Oct 2	0.9	0.75	1.5
Brunning	fin	nil	-	3.25	nil	5
Campari Intl	int	2.5	Sept 10	2	-	10
Clarke Hooper §	fin	2.7	Oct 5	2.45	4.3	3.9
Davies (DY) §	fin	3.9	Oct 26	3.5	5.7	5
EMC	int	0.3‡	Sept 21	0.3	-	1
Eurotherm Intl	int	2.6	Oct 2	1.75	-	6.3
Fitch Lovell	fin	8.5	Oct 1	8.25	12.5	12.25
Hampson Inds	fin	1.96	Oct 1	1.458*	2.55	1.917*
Securiguard	int	3.2†	Aug 31	2.8	-	8
Tops Estates	fin	1.6☆	Oct 24	1.5	1.6	1.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip alternative. ‡For 18 months.

Moscow seeks investors to speed mine development

By Kenneth Gooding, Mining Correspondent

THE SOVIET Union is to make a determined effort to speed up development of its mineral resources by encouraging foreign investment. As part of this effort, Robertson Group of the UK has signed an exclusive agreement to market mineral deposit opportunities in the Soviet Union.

Working with its Soviet partner, Robertson, a London-quoted, Cardiff-based consultancy that is already working with the Soviet petroleum industry, will provide the data required by foreign companies as well as help with necessary introductions and guidance into the Soviet mining industry.

Mr Roy Bichan, chairman of Robertson, said yesterday that base and precious metal deposits dominated the list of those initially on offer, but that it also included potential iron ore, industrial raw materials and diamond projects.

"The Soviet Union is targetting mineral deposits which have been partly or completely explored and which have quantifiable reserves but have not yet been mined," he said.

Summary sheets had been prepared listing details which would enable mining companies to choose deposits appropriate for them. These had been drawn up from data provided by Robertson's Soviet partner, Vnlizarubezhgeologia (VZG), a department of the Ministry of Geology.

Mr Bichan said the Soviet Union was most keen to set up joint ventures to take advantage of the expertise and capital foreign mining groups could bring. But there was no longer any legislation to prevent 100 per cent foreign ownership of mining ventures in the Soviet Union.

He said it had taken some time for the Soviet Union to reach a decision to seek foreign partners but "now there is absolutely nothing to stop this moving ahead fairly quickly. We should see joint ventures signed by early 1991."

Seminars, exhibitions and field trips are being organised for October to allow interested groups to get an understanding of the Soviet mining laws and conditions.

Robertson's role will be strictly advisory to VZG and it will have no equity interest in any potential joint venture agreements on the deposits offered. However, apart from "bread and butter" fees for advice, Robertson stands to win substantial "success bonuses" if foreign companies sign up for advanced exploration or move into mining.

Sugar price slides lower as buyers stay away

By David Blackwell

THE ABSENCE of buyers in the sugar market is continuing to undermine prices. Yesterday the London daily price for raws fell $17 to $288 a tonne, the lowest level since the beginning of June last year, while the New York March contract fell below 11 cents a lb in early trading.

A couple of months ago, sugar in New York was trading above 16 cents a lb because of perceived tightness in the physical market, with world supply and demand closely matched. But the Soviet Union and China, potentially the two biggest buyers, have not come to the market.

Mr Chris Pack, analyst with Czarnikow, the London broker, said yesterday that the physical market would remain tight for the next few months. But the big commission funds in New York which were expecting a bull market and had bought into it have liquidated their positions and are now short of sugar. Their power to move the market has swamped the effects of the small amount of physical buying over the past couple of months.

In addition India has raised its crop estimate, and Europe appears to be heading for a large sugar beet harvest.

"Basically there are no buyers," said one trader yesterday. "The funds are happy to stay short, and so are the speculators."

Mr Lawrence Eagles, analyst with brokers GNI, said he expected New York to fall below 10 cents a lb soon. "Current prices are still not low enough to stimulate buying interest apart from routine business," he said.

US exchanges fight dual trading ban

Barbara Durr on a fierce response to a plan for tighter regulation

THE COMMODITY Futures Trading Commission is currently sifting through over 280 letters commenting on its proposed ban of dual trading, the controversial practice in which brokers trade for their own account as well as for customers. The practice has come under heavy fire since the Federal Bureau of Investigation probe of fraud in the Chicago futures pits came to light last year.

While all of the main US commodity exchanges have submitted objections to the proposed rule, the Coffee, Sugar & Cocoa Exchange is crying the loudest. The relatively small exchange, which traded 9m contracts last year, just 8 per cent of the volume at the Chicago Board of Trade, the largest exchange, believes that banning dual trading is tantamount to throwing the baby out with the bath water.

Mr Bennett Corn, the CSCE president, says that about three quarters of the CSCE's trading population falls into the category of "dual traders" and if the commission's ban were imposed the exchange would stand to lose a significant amount of liquidity and, consequently, customers to overseas markets, most particularly to the London Futures and Options Exchange (Fox).

In 1988, the last year for which commission figures are available, dual traders accounted for nearly 60 per cent of the CSCE's turnover.

Mr Corn is especially annoyed because he says that the commission mentions in its formal proposal of the ban that the CSCE is "different, but it left it at that." He added that major users of the exchange were sufficiently upset with the commission's proposal that they too have written to object. "They perceive it will be detrimental to doing their business here," he said.

The Commodity Futures Trading Commission believes dual trading "makes possible or facilitates" potential abuses such as trading ahead of customer orders

The CSCE's vice-president for marketing, Mr James Bowe, argues that the commission has overreacted to the FBI probe and is now attempting to restrict precipitously, without adequate study, a trading practice that has historically helped the markets (by increasing liquidity) rather than hurt them.

The commission, partly as a result of the Chicago fraud allegations, has been under attack as a weak regulator. And it has been fighting off a bid by the US Department of Treasury to force a shift of stock index futures to the regulatory jurisdiction of the Securities and Exchange Commission.

According to eight US commodity exchanges, the commission's study last year of dual trading does not justify the proposed ban. They commissioned two independent academic analyses of the study which found it seriously flawed. In addition to the CSCE, this group of exchanges included the Chicago Board of Trade, the Chicago Mercantile Exchange, the New York Commodity Exchange, the Kansas City Board of Trade, the Minneapolis Grain Exchange, the New York Cotton Exchange and the New York Futures Exchange.

Dual trading is more important for smaller exchanges with less liquid markets, but larger exchanges are worried too. The CME, for example, voted on its own earlier this year to restrict dual trading in "mature liquid contracts," or those that trade an average of 10,000 contracts daily for six months. But the CME says that such a limit would not necessarily suit other exchanges, which ought to devise their own rules if needed.

The commission believes that dual trading "makes possible or facilitates" potential abuses such as trading ahead of customer orders and taking advantage of customer orders.

But the CSCE contends, as do other exchanges, that the need is not for a ban on dual trading but for better audit systems to detect abuses. The CSCE has been working since 1988 on improving its surveillance procedures and audit trails. Its larger Chicago cousins have also tightened surveillance and are working jointly to develop an electronic trading card that will make dual trading abuses virtually impossible.

Perhaps because of a need to show its teeth, the commission is going harder on the commodity markets than Congress, which in its review of trading regulations suggested stepped up audit trails and surveillance, rather than a ban on dual trading. The commission's proposal would begin with a pilot partial ban programme at seven exchanges. During 12 months, the two Chicago exchanges would prohibit dual trading in one of their three most active agricultural contracts and one of their two most active financial futures contracts. The New York Mercantile Exchange, the New York Commodity Exchange, the CSCE, the MidAmerica Commodity Exchange and the New York Cotton Exchange all are to select one of their two most actively traded contracts for the programme.

However, given the ferocity of the comments received – the CBoT, for instance, said the proposal was "arbitrary and capricious" – the commission could amend or even abandon its proposal for a ban. A commission official said that given the unusually large number of comments and their complexity, the agency would take "a minimum of several months" to arrive at a recommendation.

Gloomy outlook for farming

By Bridget Bloom, Agriculture Correspondent

DESPITE PRESIDENT Gorbachev's attempts to reform Soviet agriculture, the Soviet Union seems unlikely to be self-sufficient in grains or to produce adequate food supplies for a decade, Agra Europe, the independent intelligence agency believes.

In a new report Agra Europe notes that, in spite of the Gorbachevian initiatives, most state and collective farms remain under central control and are inefficient and mismanaged.

"The pricing system for agricultural products remains irrelevant and ineffective with producers unwilling to deliver at the fixed, too low prices being paid by the state. Inadequate mechanisation fails to compensate for the continuing depopulation of the rural areas."

The report questions whether Mr Gorbachev is as radical on farm reform as many in the West believe. In any case, it says, "bureaucratic obstruction of the application of incentives to increased production grew rather than slackened in the 1986-88 period both at the national and regional levels."

The report notes that output on the best land – the black and grey soil areas – which forms a large part of the arable area of the Soviet Union, could double or even treble if West European standards of husbandry were applied to it. But Agra Europe believes that reform to that end is likely to be a long term affair.

The report says that there will therefore be a continued large import demand for grains for much of the 1990s with a declining livestock product import requirement in the mid-1990s. However it does envisage the possibility of self-sufficiency in both grains and animal products by the end of the decade.

Soviet Agriculture and Trade under Perestroika, Agra Europe (London), 25 Frant Road, Tunbridge Wells, Kent. £95.

Study gives thumbs up to Chilean potassium project

By Kenneth Gooding

A MINING project in Chile that would increase by more than one third western world production of potassium nitrate, and inevitably create a fierce price war, should be brought quickly into production, according to the final feasibility study.

The study, by Davy McKee Corporation, concludes that "the project is feasible and there are no technical obstacles from either the mining, processing or technical standpoints."

Production of sodium nitrate and iodine could start next year in the arid Atacama desert of northern Chile, according to the Canadian joint-venture partners, Atacama Resources and Kap Resources. A potassium nitrate plant could be in production in two years.

Potassium nitrate is a high-value, low-volume agricultural chemical and total annual consumption is estimated to be only 540,000 tonnes. Atacama and Kap aim to produce an annual 250,000 tonnes.

The study suggests the partners would have an annual profit of $50.78m for the first 14 years. Annual profit without potassium nitrate is estimated at $13m. Total cost of the project is put at $69.24m.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,750 (1,650-1,730).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.75-3.00 (2.85-3.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.25-8.60 (8.10-8.40).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 195-225 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.93-2.99 (2.97-3.00).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.85-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 39-54 (40-54).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.10-3.30 (3.05-3.30).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.60 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	−5,625	to 163,025
Copper	−400	to 46,450
Lead	−400	to 43,450
Nickel	−546	to 8,574
Zinc	−1,025	to 39,650
Tin	−270	to 11,705

IPE trades Dubai crude oil from tomorrow

By David Blackwell

TRADING STARTS tomorrow morning in the International Petroleum Exchange's Dubai sour crude oil futures contract, which is to be launched by Mr Robin Leigh-Pemberton, Governor of the Bank of England.

The contract will trade six months forward, with September as the first delivery month, not October as previously stated. The contract is based on cash settlement rather than physical delivery, with the price based on assessments supplied by a panel of traders active in the industry.

The contract will make it possible for the first time to hedge a wide range of Middle Eastern crude oils on a regulated exchange. The ruler of Dubai has not given his stamp of approval to the contract, as a statement in the FT of June 13 said.

● Last Friday the IPE traded 52,177 contracts for the first time, a 26 per cent increase over the previous record on December 7 last year.

Australian Minister underlines pledge to maintain wool price

By Kevin Brown in Sydney

THE AUSTRALIAN Government yesterday moved to ease pressure on the floor price for Australian wool by repeating earlier pledges that it would not be lowered from the current level of A$7 (£3) a kilogram. Mr John Kerin, Minister for Primary Industries, said suggestions by some wool growers and exporters that the price might have to fall were "bloody minded" and "inexplicable."

The Minister angered many producers two months ago by ordering a cut of 20 per cent in the floor price from the former level of A$8.70 a kilogram in an attempt to discourage production and reduce stockpiles.

The revised floor price was said to be in line with what overseas buyers were willing to pay for Australian wool following a long period of oversupply and falling demand.

However, wool industry leaders argue that the price cut has damaged confidence in the ability of the industry to sustain the 20 year-old reserve price scheme. Many producers believe Mr Kerin prompted further uncertainty by raising the possibility of an inquiry into the industry's marketing and pricing arrangements, although the terms of reference of the inquiry have not yet been published.

Mr Len Johnston, director of the Australian Council of Wool Exporters, said speculation was rife in western Europe that the floor price of A$7 a kilogram would be unsustainable. But Mr Kerin said the Government would not contemplate a further price cut under any circumstances, and accused the industry of talking the price down.

"In most cases the motivation seems to be a perverse attempt to gain some short-term commercial or political advantage; in others it is perhaps sheer bloody-minded resentment of the decision I took [in May] to reduce the floor price; but a few are totally inexplicable," he said.

"The only way the wool floor price will ever change is upwards. I advise all players in the wool trade to note this assurance and proceed accordingly."

Meanwhile, farmers in Western Australia are preparing to shoot more than 1m sheep because of the effects of drought, falling wool prices, and problems with the live sheep trade to the Middle East.

The situation is less severe in the eastern states of Australia, but the escalating problems of the industry coincide with the growth of the sheep flock to a record 176m, around 2m more than the previous record in 1970.

A further collapse in the wool price could lead to a big reduction in the flock over the next few years, especially if the eastern states are also hit by drought.

WORLD COMMODITIES PRICES

MARKET REPORT

THE LONDON Metal Exchange zinc and lead markets sustained further losses yesterday as confidence grew that the dispute at Cominco's Trail smelter in British Columbia was close to settlement. The cash zinc price, which had fallen $120 on Monday, lost another $70 to close at a 4½-month low of $1,522.50 a tonne. Cash lead, at a 5-month low of $455 a tonne, added $7 to Monday's $30.50 fall. "I think it is very much a knee-jerk reaction to the Cominco news," commented Mr Robin Bhar, analyst at W.I. Carr. "Both markets remain finely balanced and prices should soon stabilise." The nickel market went into reverse, losing most of the sharp gains registered on Friday and yesterday. As producer-linked selling in the absence of heavy fund buying sparked off a wave of profit-taking the cash price fell $800 to $9,537.50 a tonne. At the London Futures and Options Exchange coffee traders were distinctly underwhelmed by news that next week's scheduled International Coffee Organisation meeting had been cancelled. The move that had been generally anticipated following Brazil's change of mind over the weekend about the value of holding fresh talks.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.80-5.85	-0.10
Brent Blend	$18.28-8.32w	-0.15
W.T.I. (1 pm est)	$19.65-9.69w	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$250-260	+2
Gas Oil	$169-170	-1
Heavy Fuel Oil	$80-82	
Naphtha	$159-161	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.25	-1.5
Silver (per troy oz)♣	484c	-6.0
Platinum (per troy oz)	$471.60	-4.9
Palladium (per troy oz)	$118.50	-0.9
Aluminium (free market)	$1545	+5.00
Copper (US Producer)	129.50c	-1.00
Lead (US Producer)	50.0c	
Nickel (free market)	440c	-35.0
Tin (Kuala Lumpur market)	18.85r	-0.18
Tin (New York)	278c	-5.00
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	104.72p	-0.21*
Sheep (dead weight)†	155.07p	-4.57*
Pigs (live weight)†	98.63p	-7.27*
London daily sugar (raw)	$288.0t	-17.0
London daily sugar (white)	$381.0t	-7.00
Tate and Lyle export price	£270.0	-11.0
Barley (English feed)	£109.5	
Maize (US No. 3 yellow)	£168.0	
Wheat (US Dark Northern)	Unq.	
Rubber (Aug)♥	52.50p	
Rubber (Sep)♥	53.00p	
Rubber (KL RSS No 1 Aug)	231.5m	
Coconut oil (Philippines)§	$300t	-5.0
Palm Oil (Malaysian)§	$282.5	+2.5
Copra (Philippines)§	$210w	
Soyabeans (US)	£164t	-3.0
Cotton "A" index	91.30c	
Wooltops (64s Super)	475p	+1.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. s-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	52.00	268.00	265.40	248.40
Oct	51.80	263.40	263.80	250.00
Dec	65.00	272.00	260.00	252.00
Mar	41.40	252.00	251.60	240.40
May	42.40	252.60	250.20	242.40
Aug	44.00	253.00	248.00	245.00
Oct	42.40	252.00	248.00	

White	Close	Previous	High/Low	
Oct	17.0	332.0	332.0	314.0
Dec	12.0	328.0	320.5	313.0
Mar	11.0	327.5	322.5	314.0
May	10.5	326.0	321.5	314.5
Aug	14.0	328.5	322.5	318.0
Oct	08.0		313.0	309.0

Turnover: Raw 6403 (2876)lots of 50 tonnes. White 1985 (3634)
Paris- White (FFr per tonne): Aug 2080, Oct 1870 Dec 1835, Mar 1845, May 1856

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Sep	18.56	18.43	18.80	18.34
Oct	18.60	18.75	18.80	18.60
Dec	18.60			
IPE Index	17.83	17.47		

Turnover: 387 (7256)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Aug	167.75	170.50	169.75	165.50
Sep	168.75	171.50	170.50	168.50
Oct	171.00	174.00	172.50	169.50
Nov	172.50	175.25	172.00	170.50
Dec	173.75	177.00	173.75	172.00
Jan	173.50	175.00	173.00	171.75
Feb	169.00	170.75	169.00	167.00
Mar	165.50	169.00	165.50	163.75

Turnover 1050 (19367)lots of 100 tonnes

COTTON
Spot and shipment sales for the week ended 13 July amounted to 76 tonnes against 1541 tonnes of the previous week. Trading remained on the low side and only few dealings occured and those were mainly in American, West African and Chinese growths.

JUTE
August/September c and f Dundee BTC $540, BWC $540, BTD $510, BWD $510; c and f Antwerp BTC $520, BWC $520, BTD $490, BWD $490

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	738	748	754	748
Sep	751	760	774	747
Dec	783	798	805	776
Mar	810	819	833	810
May	830	839	850	835
Jul	850	858	867	850
Sep	870		886	883

Turnover: 3479 (2876) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 16 994.99 (988.22) 10 day average for Jul 17 1007.94 (1010.36)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jul	534	539	540	535
Sep	556	565	564	565
Nov	580	584	585	578
Jan	600	605	604	600
Mar	618	621	620	619
May	637	639	639	638
Jul	657	658	658	

Turnover: 1663 (3491) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 16: Comp. daily 67.00 (66.65). 15 day average 67.72 (67.74)

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	189.5	190.0	190.0	188.0
Apr	123.5	123.0	125.0	122.5
May	133.6	133.0	135.0	133.0

Turnover 182 (378) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	108.00		108.00
Oct	112.00	113.00	112.00

Turnover 60 (250) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Jul	1099	1102	1107	
Aug	1095	1109	1120	1095
Oct	1187	1214	1230	1195
Jan	1228	1239	1240	1228
Apr	1228		1242	1235
BFI	1086	1080		

Turnover 220 (137)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Sep	111.20	111.75	111.35	
Nov	116.40	115.75	115.75	115.35
Jan	119.15	119.45	119.45	119.15
Mar	122.60	119.45	122.70	122.70
May	126.20	126.40	126.40	

Barley	Close	Previous	High/Low	
Sep	109.75	109.45	109.70	109.65
Nov	114.20	114.15	114.15	
Jan	117.25	114.15	117.25	

Turnover: Wheat 186 (118). Barley 27 (13).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	118.1	119.5	118.1
Oct	118.0		118.0

Turnover 14 (25) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 12,931 lots	
Cash	1539-41	1537-40	1542	1542-3		
3 months	1572-3	1570-2	1578/1571	1574-5	1572-3	42,366 lots
Copper, Grade A (£ per tonne)					Total daily turnover 25,654 lots	
Cash	1526-8	1536-8	1536/1517	1534-6		
3 months	1493-4	1496-7	1506/1487	1499-501	1487-8	83,998 lots
Lead (£ per tonne)					Total daily turnover 4,032 lots	
Cash	454-6	461-3		445-6		
3 months	463-4	471-3	473/463	453.5-4	466-7	11,165 lots
Nickel ($ per tonne)					Total daily turnover 3,916 lots	
Cash	9525-50	10300-75	9550/9425	9425-30		
3 months	9525-50	10275-325	10275/9450	9475-500	9500-25	9,672 lots
Tin ($ per tonne)					Total daily turnover 817 lots	
Cash	5950-70	5930-40	5932	5932-5		
3 months	6070-90	6050-70	6110/6020	6050-60	6080-90	5,190 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 13,205 lots	
Cash	1520-5	1590-5	1630	1530-5		
3 months	1491-2	1533-5	1555/1485	1485-8	1500-5	19,650 lots

LME Closing £/$ rate:
SPOT: 1.8095 3 months: 1.7802 6 months: 1.7547 9 months: 1.7324

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	361-361½	199½-200
Opening	361-361½	199¼-199¾
Morning fix	361.30	199.779
Afternoon fix	360.70	199.425
Day's high	361½-362	
Day's low	360¼-360¾	

Coins	$ price	£ equivalent
Mapleleaf	371-376	205-208
Britannia	371-376	205-208
US Eagle	371-376	205-208
Angel	371-376	205-208
Krugerrand	361-364	199-201
New Sov.	85-86	47-47¾
Old Sov.	85-86	47-47¾
Noble Plat	477.15-484.70	263.90-268.10

Silver fix	p/fine oz	US cts equiv
Spot	268.05	485.00
3 months	277.90	494.50
6 months	287.95	506.05
12 months	306.20	524.60

TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
500	59	66	4	26
550	24	32	19	52
600	7	18	52	88

Cocoa	Sep	Dec	Sep	Dec
700	61	77	11	45
750	31	53	31	71
800	12	35	63	106

Brent Crude	Sep	Oct	Sep	Oct
1650				
1700				80
1750				107

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5575	5624	5580	5445
Sep	5685	5722	5690	5540
Oct	5780	5812	5790	5660
Dec	5960	5990	5970	5845
Jan	6000	6022	6005	5880
Feb	5920	5952	5935	5800

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1338	1355	1362	1350
Sep	1228	1248	1268	1222
Dec	1265	1280	1305	1262
Mar	1290	1315	1341	1290
May	1323	1335	1366	0
Jul	1350	1373	1386	0
Sep	1383	1405	1440	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	84.20	85.30	84.80	83.95
Sep	86.25	86.25	87.00	85.60
Dec	88.85	88.70	89.60	88.55
Mar	91.65	91.50	92.60	91.50
May	94.00	94.05	95.25	94.50
Jul	94.90	96.05	97.20	96.05
Sep	95.95	97.00	98.90	98.90
Dec	101.25	100.50	105.00	102.85

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.18	11.72	11.47	11.13
Mar	10.87	11.36	11.16	10.79
May	10.80	11.40	11.22	10.90
Jul	10.95	11.42	11.30	10.94
Oct	11.00	11.42	11.22	11.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	79.10	78.48	79.50	78.25
Dec	75.15	74.88	75.55	74.40
Mar	75.48	75.45	75.85	75.30
May	75.80	75.75	76.20	75.60
Jul	71.00	70.95	0	0
Oct	68.50	68.25	68.50	67.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	187.00	189.55	190.00	185.20
Sep	178.70	180.30	180.40	178.50
Nov	171.05	171.60	172.00	169.00
Jan	165.00	164.10	0	0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 17	Jul 16	mnth ago	yr ago
1820.0	1841.4	1848.2	1839.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 16	Jul 13	mnth ago	yr ago
Spot	132.06	133.28	131.25	130.18
Futures	131.92	132.22	131.31	136.66

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	363.0	364.5	364.2	361.6
Oct	366.8	368.7	368.3	365.6
Dec	372.0	373.3	373.0	370.6
Feb	375.7	377.8	376.5	375.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	472.0	474.1	472.0	470.5
Oct	479.5	481.8	481.0	478.5
Jan	485.5	487.5	486.5	485.0
Apr	491.0	493.1	491.0	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	483.0	484.7	486.1	478.0
Sep	487.0	490.3	491.5	481.0
Dec	497.0	501.3	501.5	495.0
Mar	508.0	512.0	512.5	505.0
May	514.0	519.1	519.1	514.0
Jul	525.0	526.5	527.0	520.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	122.75	125.10	124.80	122.60
Aug	121.50	123.60	122.90	121.00
Sep	120.00	122.00	121.90	119.25
Oct	117.75	119.45	0	0
Nov	115.30	117.00	0	0
Dec	112.35	114.00	113.90	111.50
Jan	110.35	111.70	111.50	110.50
Mar	106.30	107.50	107.00	105.50
Apr	104.95	106.10	0	0
May	103.20	104.30	103.70	103.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	18.48	18.67	18.50	18.11
Sep	19.70	19.65	19.72	19.38
Nov	20.50	20.57	20.51	20.22
Dec	20.70	20.75	20.72	20.38
Jan	20.77	20.82	20.77	20.50
Feb	20.80	20.86	20.80	20.53
Mar	20.85	20.88	20.85	20.58
Apr	20.85	20.90	20.85	20.67
May	20.85	20.92	20.86	20.62

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	595/0	597/2	599/6	595/0
Aug	599/0	600/0	603/2	598/4
Sep	604/2	606/2	609/4	604/0
Nov	616/0	618/4	621/4	615/4
Jan	628/0	629/6	632/4	627/4
Mar	640/0	641/0	644/0	639/0
May	647/0	649/2	651/0	647/0
Jul	652/0	654/0	657/0	652/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	24.15	24.00	24.15	23.90
Aug	23.76	23.70	23.78	23.55
Sep	23.74	23.78	23.85	23.70
Oct	23.66	23.68	23.80	23.68
Dec	23.62	23.70	23.79	23.60
Jan	23.56	23.65	23.77	23.55
Mar	23.52	23.65	23.77	23.50
May	23.41	23.65	23.72	23.41

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	173.2	173.9	174.3	172.9
Aug	174.1	174.9	175.3	174.1
Sep	175.6	176.1	177.0	175.3
Oct	177.1	177.7	178.5	177.0
Dec	180.4	180.6	181.5	180.1
Jan	181.5	181.5	182.5	181.2
Mar	183.5	184.2	184.5	183.5
May	185.0	185.7	185.0	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	273/4	273/4	277/0	272/4
Sep	263/2	264/6	267/4	263/0
Dec	258/2	261/0	265/0	258/0
Mar	265/2	267/4	269/0	265/0
May	270/0	272/0	273/4	269/4
Jul	272/4	275/2	276/4	272/4
Sep	267/0	267/6	270/0	266/0
Dec	261/0	262/0	263/6	261/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	301/6	302/4	306/0	301/4
Sep	308/2	309/2	311/4	309/0
Dec	324/0	324/0	326/0	322/4
Mar	330/0	330/0	333/0	330/0
May	327/2	328/0	330/0	327/0
Jul	320/4	320/0	321/4	320/4

LIVE CATTLE 40,000 lbs; cents/lbs

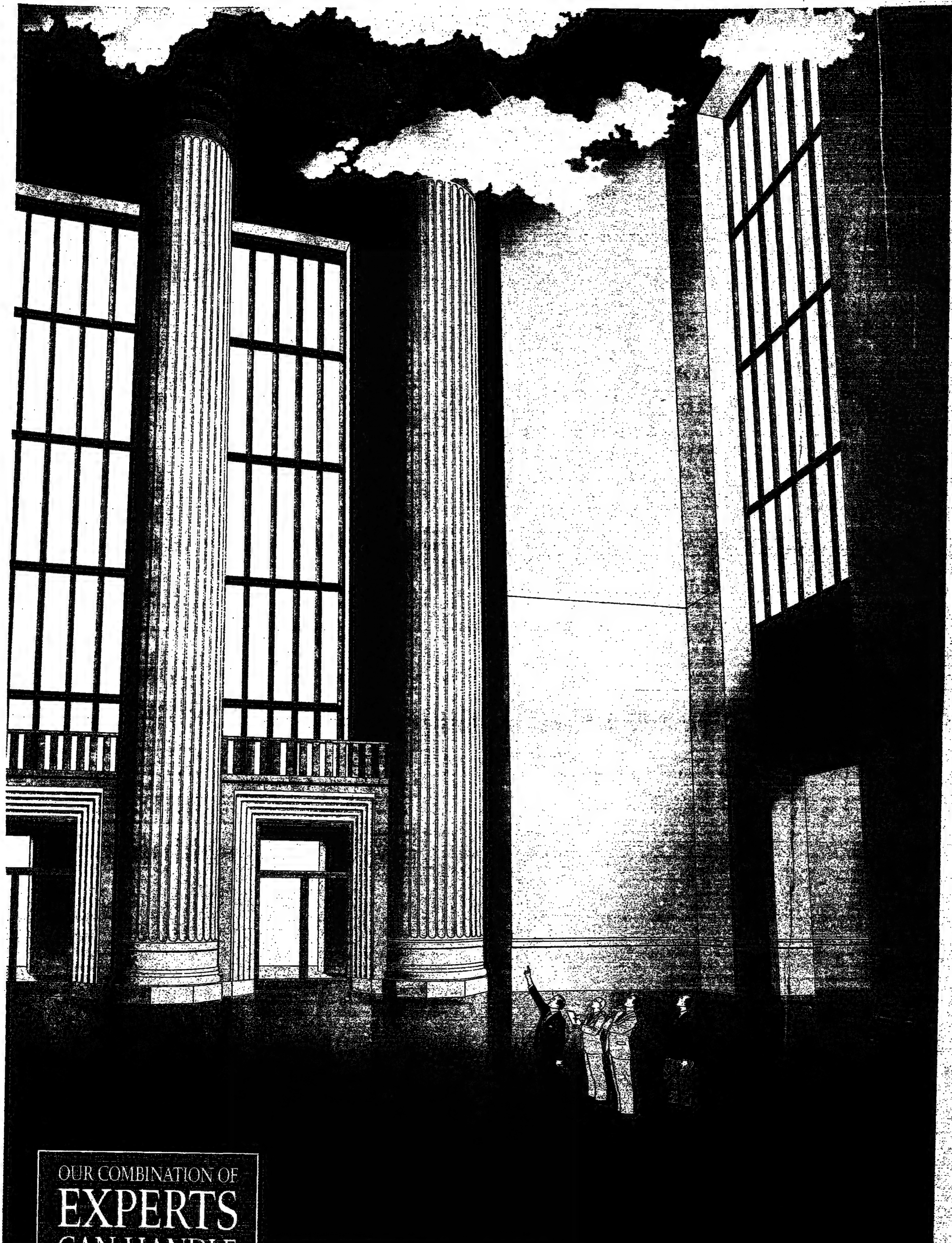
	Close	Previous	High/Low	
Aug	75.57	76.37	75.85	75.40
Oct	75.25	77.37	77.32	76.70
Dec	76.40	78.02	78.35	76.37
Feb	76.00	78.05	78.35	75.90
Apr	76.57	78.60	78.65	76.65
Jun	73.80	73.70	74.00	73.35
Aug	72.37	72.42	72.75	72.37

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	69.28	62.77	64.25	63.20
Aug	60.60	60.37	61.25	60.20
Oct	54.37	54.80	54.95	54.15
Dec	53.27	53.42	53.70	53.02

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	59.50	49.60	61.15	49.85
Aug	48.42	48.65	50.10	48.25
Feb	58.20	54.62	59.90	56.65
Mar	58.25	54.72	58.72	56.05
May	55.40	55.10	58.40	55.90



LONDON STOCK EXCHANGE

Equities close well below the best

AN EARLY attempt by UK equities to extend the latest advance ran out of confidence in the face of disappointing Public Sector Borrowing Requirement figures from the UK and an uncertain opening on Wall Street following the latest US trade figures.

Arbitrage trading between the FT-SE futures and the cash markets helped equities gain 24 Footsie points at first, but the rise was cut to only 8.5 points by the close. Trading volume increased but remained too low for marketmakers' comfort, and there were further strains in the Inter-Dealer Broker market.

Account Dealing Dates		
*First Dealings:		
Jul 9	Jul 23	Aug 6
Option Declarations:		
Jul 19	Aug 2	Aug 16
Last Dealings:		
Jul 20	Aug 3	Aug 17
Account Day:		
Jul 30	Aug 13	Aug 28

*New-time dealings may take place from 8.30 am two business days earlier.

The equity market opened slowly, with firmness in sterling prompting the conflicting hopes of an early cut in UK base rates and concern for the currency impact on Britain's exporting companies. Wall Street's failure overnight to hold on to the Dow 3,000 mark was seen as discouraging.

The market took off when the FT-SE 100 stocks began to advance on buying from a UK brokerage house. At first, this was believed to be a genuine investment programme, but later it appeared that it was an arbitrage move linked to the sale of September contracts on the FT-SE futures market. The premium on the September contract was reduced during the session to a final level of 60 points, of which some forty or more points are regarded as no more than the fair value premium reflecting dividend payments and financing costs.

The equity advance proved short-lived and prices topped out within moments of the news that UK Public Sector Borrowing Requirement had jumped to £2.6bn in June, more than twice City forecasts, and making a total of £6.5bn for the quarter compared with a zero figure in the year ago period.

With UK Government bonds sliding lower, equities began to give back early gains, although traders said there was still very little stock on offer.

The increase in the US trade deficit to $7.73bn in May, while not far from estimates on this side of the Atlantic, set the stage for a sluggish opening on Wall Street which only grudgingly cleared the Dow 3,000 mark in UK trading hours. London stocks continued to drift back for a final close of 2,415 on the FT-SE scale, a net rise on the day of 8.5 points.

Trading volume increased to 493.6m shares from a dismal 346.9m on Monday, but the total was boosted by the futures arbitraging deals; traders maintained that genuine investment business was still slack. However, there were ready institutional takers for just under 20m shares in retail chain Storehouse sold by its founder Sir Terence Conran, at a price only just below market levels. The successful placing gave further evidence of the willingness of the big funds to pick up lines of stock – when offered at prices considered suitable.

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 13	July 12	July 11	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.49	79.73	78.94	78.72	78.67	88.40	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.75	87.81	87.34	87.26	87.28	96.88	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1912.9	1900.9	1880.1	1870.1	1877.7	1893.5	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	181.7	184.4	175.7	172.7	174.2	200.1	378.8 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2415.0	2406.5	2382.2	2370.5	2380.5	2273.1	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.85	4.88	4.93	4.95	4.94	4.28				
Earning Yld %(full)	10.68	10.78	10.89	10.88	10.93	10.04				
P/E Ratio(Net)(☆)	11.36	11.25	11.14	11.06	11.10	12.00				
SEAQ Bargns 4.45pm	30,924	28,437	25,984	27,802	25,339	24,490				
Equity Turnover(£m)†	-	879.11	879.24	969.89	993.5	1186.03				
Equity Bargains†	-	28,547	28,029	27,538	25,163	30,747				
Shares Traded (ml)†	-	307.5	378.3	396.3	331.1	448.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.21

Ordinary Share Index, Hourly changes Day's High 1924.6 Day's Low 1903.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1903.6	1906.9	1905.7	1921.6	1922.6	1921.4	1920.9	1916.9	1913.3

FT-SE, Hourly changes Day's High 2430.6 Day's Low 2407.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2407.6	2414.4	2410.7	2427.5	2428.9	2427.2	2424.9	2419.8	2416.0

GILT EDGED ACTIVITY

Indices*	July 16	July 13
Gilt Edged Bargains	89.3	96.0
5-Day average	96.2	95.0

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

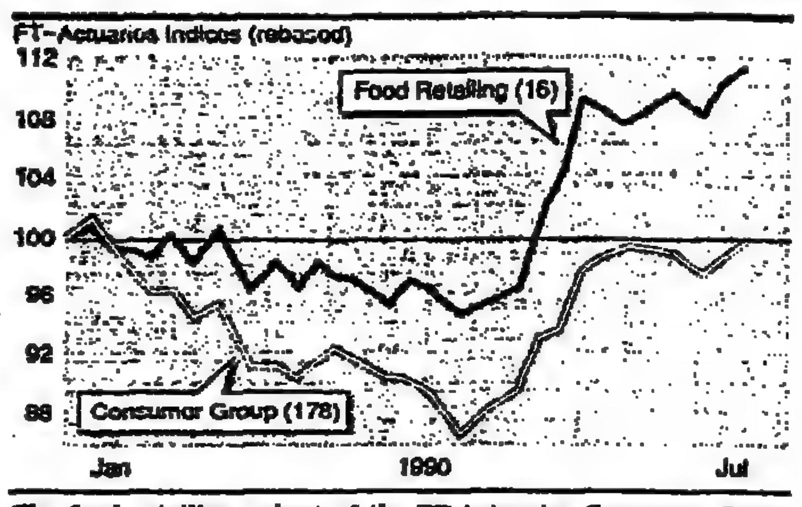
Conran cuts his stake

TURNOVER in Storehouse jumped to 40m shares as Sir Terence Conran, who founded the group, sold almost 20m shares, or two-thirds of his holding, amounting to about 5 per cent of the company. The market was united in the belief that the holding had been placed with a small number of institutions by S.G. Warburg.

"They bought the stake at 118½p and sold it at 119½p," said one marketmaker. "It was very smoothly placed," commented another. Sir Terence stepped down as chairman in May and his stake is now 9m shares (2.2 per cent).

Analysts said the disposal meant little to Storehouse, although there might be a technical effect as an extra 5 per cent of the company's shares on the market might sop up some institutional demand in the short term.

By the close of trading the turnover figure had reached 42m. The price had slipped in early trading, recovered almost to the overnight level and eased once again, with the market's late retreat, to 123p for a net decline of 3.



The food retailing subset of the FT-Actuaries Consumer Group has recovered from concern that the market was saturated and could face a price war. It shows strong earnings growth, while its generally low gearing has helped shield it against high interest rates, which have hit the consumer sector overall.

Tremors in RMC

A firm performance by RMC throughout the morning was brought to an abrupt halt after midday by an announcement from the Office of Fair Trading that a division of the UK concrete producer had admitted taking part in 11 price-fixing or market-sharing cartels.

RMC shares, which traded up to 708p early in the session, subsequently fell sharply to touch 678p before ending a net 19 off at 683p. Turnover expanded to 2.8m, well ahead of usual levels in the stock.

The OFT said the cartels had operated between 1977 and 1988 and that other unnamed concrete producers were believed to have been involved.

One dealer said that the cartel story had "knocked a lot of the new found confidence in the building sector." At UBS Phillips & Drew, Mr Howard Seymour said that selling of RMC "had most probably been overdone." He added: "It (the cartel story) is a storm in a tea-cup; it refers to a local situation and these do not usually lead to big payouts - it is not material in terms of liability payouts."

Other stocks said to have been upset by the story included Tarmac, which settled 3 ahead at 263p, after 267p, and Redland which, having touched 628p early on, slipped to close a net 7 firmer at 617p. Blue Circle were 3 off at 239p and Rugby the same amount down at 172p.

Asda cheers

A sharp but smaller than expected fall - by some analysts - in full year profits from Asda, the supermarket chain, gave the shares something of a boost on the basis that the bad news is now out of the way. The market was also cheered by newsof further asset disposals. Asda improved 6 to 120p as turnover rose to 7.3m, swelled by institutional buying.

Asda initially rose to 122p after it announced that profits had fallen to £180m from £246m last year, while £28.5m had been raised from sales to Tesco of two sites.

Mr Bill Myers of Henderson Crosthwaite said: "There was a strong sense of relief that there were no more surprises." Asda shares were given a further boost after analysts met the company. "It was a very strong presentation," added Mr Myers. "They appear to be doing the right things. However, it is going to be a long haul."

By the close, concern was creeping into the market about Asda's indication that profits during the first half of this year would be below last year's £83.5m. Analysts expect around £78m but there was some worries that high interest charges could depress profits to between £60m to 70m.

Barclays advanced 9 to 419p on 4.2m and Lloyds 7 to 309p on 3.4m, but the biggest turnover of the "big four" high street banks was in NatWest, where 5.6m shares were traded as the price moved up 5 to 335p. Midland, still overshadowed by the Barlow Clowes affair, were only marginally firmer at 302p.

Abbey National reached a new peak of 224p, up 4½ on the session with 4.9m traded. Bid stories were said to have been behind the latest improvement in Royals, which closed 9 better at 506p.

Turnover in the water stocks, quoted ex-dividend, expanded to levels not seen since the weeks following their market debuts last December, when stakebuilding and heavy buying by institutions featured activity in the sector.

Turnover in the two footsie stocks, Thames and North West, reached 5.6m shares respectively, while Severn Trent attracted turnover of 4.1m shares. The other stocks were all aggressively traded. Dealers said there had been good two-way business with buyers, attracted by the excellent earnings and dividend prospects, easily gaining the upper hand. "The market was short and yields of 10 to 11 per cent in partly-paid form are rightly very attractive," noted one sector specialist.

North West advanced 7 to 156p, Thames edged ahead to 149p and Severn managed a 3 gain at 134p.

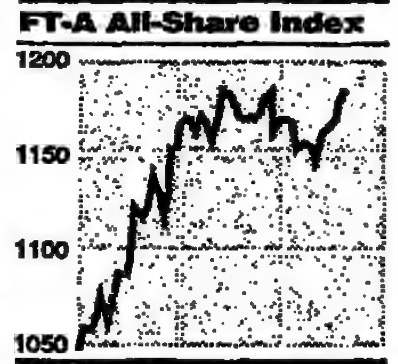
Dealings in shares of Associated-Henriques, the finance house, were suspended before the outset of trading at the company's request "pending a further announcement." On Monday the shares closed at 46p, having fallen almost 6 per cent the previous week.

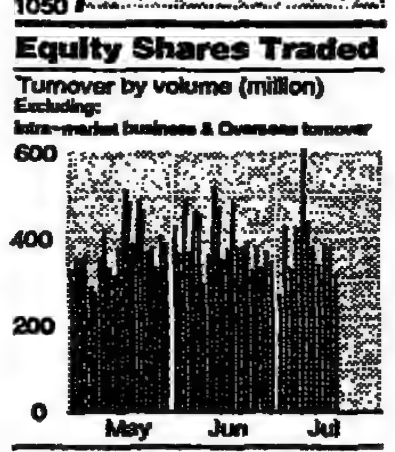
A County NatWest WoodMac review of scotch whisky exports said that, while volumes were down 10 per cent in May on the previous year, the value for shipments in the first five months of the year was 11 per cent higher. Guinness, whose strategy is to concentrate on premium brands, climbed 10 to 818p.

There was no respite for Carlton Communications. The recent slide continued in the wake of a stream of downgradings, including some from the company's own stockbrokers. The shares yesterday shed another 15 to 420p.

A confident statement at the company's annual meeting helped Courtaulds rise 10 to 389p. Sir Christopher Hogg, the chairman, said: "Results for the first quarter havebeen overall in line with our expectations and we are pleased with them."

Berisford fell 6 to 50p in the wake of Monday's announcement by Citicorp Investment Bank (Switzerland) that it had reduced its shareholding to 17.7m from 25.7m. Dealers speculated that Citicorp may have acquired the shares from Mr Ephraim Margulies, the company's former chairman, who was last reported to have a 6 per cent stake.





The Fitch Lovell share price increased by more than a third (78p) to 297p following news of an agreed £308m bid by Booker. The offer values Fitch Lovell at 308p per share. Booker fell 19 to 436p on the announcement.

Mr Carl Short at Kleinwort Benson said: "The deal is likely to have very little impact on eps (earnings per share) in 1990, but the real importance of this move is that it considerably increases Booker's presence in the attractive and growing food service area at a very reasonable price."

Sears firmed slightly as the company announced the sale of Mappin and Webb to USM-quoted Asprey for £75m. Sears will receive 18½m new cumulative redeemable participating preferred shares in Asprey. These will carry the right to participate in 17.5 per cent of the earnings of the enlarged Asprey group, subject to a minimum fixed dividend of 4.5 per cent of the issue price of 405p per participating preferred share. Sears followed the market, rising to 99p and settling at 98p, a net ½ higher. Asprey declined 15 to 390p.

Mr Paul Deacon at Goldman Sachs said the deal was "a very sensible thing to do on both sides." He added that Asprey would be able to use the royal warrant to help overseas sales.

News that 29.6 per cent of Campari, the leisure and sportswear concern, had been sold by a Swedish businessman to Wing Tai, a Singaporean garment company, left the shares 24 better at 230p, after 236p. Campari also revealed a 40 per cent recovery in interim profits to £1.3m.

Reuters fell quickly as the market caught wind of a story that Goldman Sachs had removed the company from its buy list. Mr Eric Philo of Goldman in New York explained that the stock remained on the long-term buy list but had been removed from the securities house's "focus list," a small group of stocks chosen for their short-term value. Mr Philo said the shares had performed so well in recent weeks that they were now "too expensive." Reuters fell 32 to 1282p.

ICI continued to suffer from the threat of industrial action on the part of its manual workers. Traders reported overnight selling in New York and the shares slipped 4 against the trend to 1165p.

Oil shares ran out of steam after the recent very strong performance. Sentiment was unsettled by the easier trend in crude oil prices - September Brent was some 15 cents lower at $18.15 a barrel – and a downgrading of Shell Oil, by Hoare Govett, the influential broking concern.

The Hoare move hit Shell Transport shares, which dropped 6 to 479p on heavy turnover of 6.2m. BP dipped 5 to 331p on 6.3m. British Gas were 2 cheaper at 223p on 4.3m.

Higgs and Hill, the building group which fought off a near £170m takeover bid by YJ Lovell earlier this year, raced up 17 to 388p after some aggressive buying interest from one UK securities house.

STC, down 8 at 254p, underperformed the electronics sector and the market with a large selling order undermining sentiment in the stock.

Cable and Wireless rose 9 to 558p on 3.9m after the annual meeting, described as "upbeat" and the last chaired by the outgoing Lord Sharp.

A minor decline in interim pre-tax profits - down from £6.7m to £6.39m – from Eurotherm, the electronic equipment designer and manufacturer, and what was interpreted as a very cautious accompanying statement, upset the Eurotherm share price which tumbled to end 19 down at 251p, after 243p.

The company increased the interim dividend from 1.75p to 2.5p – "to reduce imbalance" – and said it would be "monitoring our operations very carefully in coming months." Analysts moved quickly to reduce their forecasts for the full year.

Results for the 28-week period from Securigard, the industrial cleaning to security services group, and a warning that one of its divisions, Personnel Services, "will not perform up to expectations and will not contribute to profits in the full year," left the company's shares floundering and 58 down at 265p.

■ Other Market statistics, including the FT-Actuaries share index, Page 23

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AGT	484	175	+1	Courtaulds	2,700	389	+11
ASDA Group	10,000	116	+4	Dalgety	412	363	+4
Abbey National	4,900	224	+4½	Dixons	225	151	-2
Allied-Lyons	2,300	527	+2	ECC Group	66	405	
Amstrad	658	98	+1	Enterprise Oil	702	658	
Anglian Water	1,300	130	+1	FKI	389	78	+1
Argos	1,700	239	+4	Ferranti	1,400	35	+1
Argyll Group	4,300	250	+2	Fisons	1,800	381	+1
Ass Brit Foods	700	417	+5	Gen. Accident	831	543	+7
BAA	1,900	465	+5	General Elect	3,800	225½	-½
BAT Inds	1,600	842	-1	Glaxo	4,100	875	+3
BET	3,000	224		Glynwed Int	280	363	+6
BICC	2,000	441	+1	Granada	379	221	-3
BOC	1,600	595	-5	Grand Met	2,300	658	+4
BPB Inds	4,300	215	+3	GUS A	490	1386	-3
BTR	2,000	442	+4	GRE	1,100	238	+3
Barclays	4,200	419	+9	GKN	840	405	+4
Bass	557	1110		Guinness	3,100	818	+10
Beazer	495	175	+2	Hammerson "A"	130	705	+1
Berisford Int	5,000	50	-6	Hanson	11,000	237¼	+1½
Blue Circle	2,400	239	-3	Hanson Warrants	666	59	+½
Boots	1,200	287	+3	Harrisons Crosfield	554	174	+1
Brit. Aerospace	833	564	-1	Hawker Sidd.	1,000	664	+7
British Airways	2,000	218		Hillsdown	2,100	287	+1
British Gas	4,300	223	-2	IMI	288	253	+2
British Land	67	318	+2	ICI	2,300	1165	-4
BP	6,300	331	-5	Inchcape	1,200	371	+1
British Steel	5,900	142½	+1½	Kingfisher	1,700	362	+1
British Telecom	3,800	309	-½	Ladbroke	2,300	333	+8
Bunzl	275	[illegible]		Land Securities	1,000	530	+5
Burmah Oil	645	661	-2	Laporte	135	571	+3
Burton	1,700	104		Legal & General	1,600	429	+2
Cable & Wire.	3,900	558	+9	Lloyds Abbey	1,300	339	+3
Cadbury	1,600	385	+6	Lloyds Bank	3,400	309	+7
Calor Group	418	250	-2	LASMO	1,100	415	-1
Carlton Comms.	2,700	420	-15	Lonrho	1,100	288	+3
Coats Viyella	608	125	+1	Lucas	4,600	160	-1
Comm. Union	543	524	+5	MB Group	1,800	225	+6
Cookson	587	200	+3	MEPC	321	518	+6

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
Manpower	297	78	-1	Smith (W.H.) A	921	362	-3
Marks & Spencer	3,700	248		Smith & Nephew	4,100	118	+1
Maxwell Comms.	1,300	191	-2	SmithKline Beecham	7,200	589	
Mecca Leisure	177	80		SmithKline Beecham Units	35	[illegible]	+37
Midland Bank	1,500	302	+1	Smiths Inds.	683	234	
NatWest Bank	5,600	335	+5	South West Water	412	157	
Next	346	49	+1	Southern Water	1,100	134	+3
North West Water	5,800	156	+7	Standard Chartd.	270	441	-1
Northern Foods	347	345		Storehouse	42,000	123	-3
Northumbrian Water	792	167	+3	Sun Alliance	1,000	347	+6
Pearson	418	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P & O	1,300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pilkington	1,000	202	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Polly Peck Intl.	2,500	444	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential	3,600	228	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RHM	1,100	345	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RMC	1,600	683	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ	2,100	570	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal	3,800	209	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal Telecom	146	367	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rank Org.	915	784	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Reckitt & Colman	453	1322	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Redland	2,200	617	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Reed Intl.	1,600	489	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Reuters	1,300	1282	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rolls Royce	8,400	232½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rothmans	195	680	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ryl Bk Scotland	1,300	171	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Insurance	1,600	308	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STC	1,700	254	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saatchi	552	81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury	3,800	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Scottish & New.	1,900	364	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears	1,500	98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sedgwick	354	225	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Severn Trent Water	4,100	136	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Transport	6,200	479	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Siebe	354	477	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Slough Ests.	908	281	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (76).
BRITISH FUNDS (4) AMERICANS (1) BANKS (2) BREWERS (4) BUILDINGS (3) CHEMICALS (3) STORES (4) ELECTRICALS (5) ENGINEERING (1) FOODS (9) INDUSTRIALS (18) BH Prop., Bunzec Inds., Bowater 7¼ pc Pf., British Vita, Caparo Inds., Courtaulds, Elys, Excalibur, Glaxo, High-Point, Lilly (Eli), Portmeirion Potteries, Proteus International, Robertson, Williams 8p Pf., Wyko, INSURANCE (3) LEISURE (3) MOTORS (1) NEWSPAPERS (3) PAPERS (2) SHOES (3) TOBACCOS (1) TRANSPORT (1) TRUSTS (4).
NEW LOWS (73).
AMERICANS (8) CANADIANS (1) BANKS (1) BUILDINGS (4) CHEMICALS (4) STORES (1) ELECTRICALS (5) ENGINEERING (2) FOODS (5) INDUSTRIALS (10) ADG, Arrow, Bullers, Grafton, Grovewood, Hawthorn Leslie, Sale Tilney, Scottish Heritable Trust, Williams (J), Wyndham, INSURANCE (1) LEISURE (2) MOTORS (3) NEWSPAPERS (1) PAPERS (1) PROPERTY (3) SHOES (2) SOUTH AFRICANS (3) TEXTILES (1) TRUSTS (8) OILS (2) MINES (5) THIRD MARKET (1).

APPOINTMENTS

Group chief executive of Platignum

Mr Robert Campbell has taken over as group chief executive of PLATIGNUM. Mr Stanley Cohen, who has been acting chief executive since the resignation of Mr Stephen Quinn on June 4, has become executive joint chairman. Mr Simon Knott, previously chairman, becomes non-executive joint chairman.

■ Mr Michael Steen has been appointed a director of GLOVERALL. He was developments manager.

■ SHEAFFER ETON INTERNATIONAL has appointed Mr Michael Johnstone as chief executive officer of its operating subsidiary, Shaeffer Eton Holdings.

■ Mr Michael J. Hutchinson, managing director of Metallgesellschaft, has been elected to the board of THE LONDON METAL EXCHANGE.

■ Mr Michael Westacott has been appointed chairman of ABC DIRECT.

■ Mr Walter Greaves has joined the management board of MERCEDES-BENZ (UK) with responsibility for passenger car sales and marketing operations, a new post. He was manager, dealer operations, Ford of Europe. Mr David Thomas, previously director operations, becomes director, commercial vehicles.

■ SAXET GROUP (UK) has appointed Mr Andrew E. Nicholson as managing director.

■ Mr Alastair Livingston has been appointed THE ROYAL BANK OF SCOTLAND's vice president and senior representative in Los Angeles, US. He was deputy advances manager, London.

■ Mr Richard Watts, managing director of INTERPHASE INTERNATIONAL INC, has been appointed vice president, international operations.

CADBURY SCHWEPPES wholly-owned information technology subsidiary ITnet has appointed Mr Simon Ricketts (*pictured*) as managing director from August 20. He was general manager, central management services division, British Steel, and succeeds Mr John Taylor who has joined Cadbury as marketing director.

■ SEAL TECHNOLOGY SYSTEMS, Cardiff, has appointed Mr Gareth Luke as financial director and company secretary.

■ Mr Les Chatfield has been appointed B division managing director at BOVIS CONSTRUCTION. He is succeeded as deputy managing director, V division, by Mr Ron Davie who was divisional director in charge of projects at Canary Wharf.

■ GILBERT ELIOTT CORPORATE FINANCE has appointed Mr David Bezem as a director.

■ Mr Vittorio Serafino, deputy general manager of Instituto Mobiliare Italiano, has been appointed to the board of INVESCO MIM.

■ VALCAST PRODUCTS, Kettering, has promoted Mr Charles Sheppard to works director, and Mr Philip Haseldine to technical director.

■ Mr Barry Cozens has been appointed production director designate by IMI WOLVERHAMPTON METAL, which makes high-integrity ingots. He was works manager of Metal Alloys (South Wales) which is closing down its master alloy production.

■ HENRY BARRETT GROUP has appointed Mr Lindsay Mackinlay as a non-executive director.

■ Mr Robin Howe, managing director of Munters, Huntingdon, has been appointed group vice president of CARL MUNTERS (Sweden) with responsibility for the dehumidification business worldwide. He will be based in the UK.

■ HUNTERPRINT GROUP has appointed Mr Eric Holroyd as managing director of its magazine and catalogue division, Corby. He was chief executive, Bowater's consumer and industrial packaging group.

■ From August 1 Mr Christopher Brooks becomes managing director of SULZER DIESEL UK. He was with the marine division, and succeeds Mr David Stables who retires and becomes a non-executive director.

Mr Christopher Burr (*pictured*) has been appointed financial director of ASH & LACY. He was with European Home Products.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

CANADIANS

1990 High	1990 Low	Stock	Price	+ or -	Div Gross	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	232	+4	44c	1.4	8.6	8.3
224	172	Abbey National 10p	224	+6½	5.7	4.3	3.4	9.1
*274	210	Allied Irish Ord	219	.....	Q40%	3.3	4.3	9.4
£13¼	£10⅞	Algemene Fl.10	£11	+¼	Q28%	2.1	7.6	6.2
85	63	Anglo Irish	63	.....	Q167%	2.7	7.0	6.6
90	68	Ansbacher (H.) 1p	98	+5	2.5	1.3	3.7	25.9
£71½	£54¼	Bancaire Cie Fr100	£56⅞	–⅝	[illegible]	—	2.3	—
£22⅝	£16⅝	Banco Bilbao Viz.	£19⅛	.....	Q61%	2.7	4.3	12.6
£31	£24¼	Banco de Santander	£29	.....	Q25%	2.4	3.6	10.8
286	214	Bank Ireland IrE1	219	.....	Q14.7%	2.9	6.3	7.3
£19½	£18	Bank Leumi	£19½	.....	—	—	—	—
350	320	Bank Leumi (U.K.)	345	.....	†13.5	—	4.9	—
125	104	Bank Scotland	119	+1	4.55	3.3	5.1	7.9
100¼	83¼	Do. 9¼ pc Irrd Pf	96½	–½	9¼%	—	12.8	—
54	39	Bank of Wales	52	.....	2.8	0.8	7.2	(25.0)
428	352	Barclays £1	419	+9	h19.57	3.5	6.2	5.8
22	12	Benchmark 20p	13	–½	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	313	–3	12.0	2.2	5.1	10.1
*435	341	Cater Allen £1	367	.....	N24.5	—	8.9	—
179	112	Chancery	114	.....	9.0	2.7	10.5	4.6
£23¼	£18¼	Commerzbk DM10	£20¼	–⅛	Q18%	—	3.1	—
£13¼	842	Dai Ichi KBk Y50	915	–5	Q17%	♦	0.3	♦
[illegible]	£261	Deutsche Bk DM50	£275½	–3½	Q28%	—	1.7	—
£20½	£18¼	Espirito Santo	£18¼	–½	075c	5.1	2.4	—
253	183	First Nat. Fin 10p	198xd	.....	13.0	2.1	8.8	6.8
121	96	FNFC 6.3pc Cv Pf	98	.....	6.3%	—	8.6	—
£13½	965	Fuji Bank Y50	982	–2	Q17%	♦	0.3	♦
325	263	Gerrard & National	291	.....	19.0	—	8.7	—
154	122	Guinness Mahon 10p	122	.....	2.1	—	2.3	—
328	223	Hambros 20p	267	.....	11.5	—	5.7	—
128	93	Do. 7.5pc Cv Pf	112	.....	7½%	—	8.9	—
53½	42	HK & Shang. HK$2.50	44	–1½	hQ38c	—	6.1	—
478	458	Joseph (Leo) £1	463	.....	15.85	♦	4.7	♦

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES – Contd

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 γ	830	.....
Finlay Pkg. 5p γ	51	.....
Holt (Jos) 25p γ	1310	.....

IRISH

Cap. 8½% Ln. 1991	£98¼	.....
9pc Cap Ln. 1996	£96½	.....
Fin. 13% 97/02	£112	.....
Arnotts	285	.....
Carroll (P.J.) γ	124	–2
Hall (R. & H.)	165	.....
Helton Hldgs. γ	72	.....
IRG	195	.....
United Drug	152	–6

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46½
GEC	18
Glaxo	[illegible]
Grand Met	53
Guardian	29
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petro	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	[illegible]
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	58

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Premium Life Unit Tst Mngrs Ltd (1400)F
37 Perrymount Rd, Haywards Heath 0444 458721
Monthly Income ..... 6 47.19 48.91 51.84 +1.44 4.81

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700
Principal Tst ..... 5¼ 98.24 100.11 106.50 +0.30 3.50

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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	Bid Price	Offer Price	+ or −	Yield Gross
Touche Remnant Unit Tst Mngt Ltd				
TR Eastern European	[illegible]	[illegible]	....	2.07
TR Eastern Nth Amer	[illegible]	[illegible]	....	1.38
TR Eastern Pac Basin	[illegible]	[illegible]	....	1.32

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Barclays Life Assur. Co Ltd—Contd.

For prices of Initial Units phone 01-534 5544

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

General Accident Linked Life Assur(z)

General Portfolio Life Insce Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assur. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration(z)

Hill Samuel Life Assur. Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London & Manchester Group

London Life

M & G Life and M & G Pensions

Manchester Unity Assurance

MGM Assurance(z)

MLA

Merchant Investors Assurance Co Ltd—Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or −	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	169.0	177.9	—	—
Prop. Acc. (Gross)	289.9	305.2	+0.1	—
Equity (Gross)	823.3	866.6	[illegible]	—
Managed (Gross)	573.9	604.2	+2.1	—
Prop. Acc. (Net)	134.9	[illegible]	—	—
Equity (Net)	189.7	199.7	+0.7	—
Managed (Net)	175.0	184.3	+0.6	—
Internat'nal (net)	167.1	175.9	−0.2	—
Gilt & Fxd Interest	105.4	111.0	+0.4	—
Money Fund	117.1	123.2	—	—
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	[illegible]	613.2	+2.2	—
Ret Man (Series 2)	197.6	208.0	+0.8	—
Ret Man (Series 3)	132.7	131.7	+0.4	—
Ret Cash	157.5	165.8	+0.1	—
Ret Cash (Series 3)	130.8	130.8	+0.1	—
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	106.6	112.3	+0.7	—
Managed Balanced	99.6	104.8	+0.6	—
Managed Cautious	95.4	100.5	+0.4	—
Pension Funds				
Managed Aggressive	107.5	113.2	+0.7	—
Managed Balance	101.0	106.4	+0.6	—
Managed Cautious	96.5	101.6	+0.3	—
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	319.0	335.8	—	—

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar waits for Greenspan

ECONOMIC DATA and the half yearly Humphrey-Hawkins report to the US Congress by Mr Alan Greenspan, chairman of the Federal Reserve Board, are likely to make this a testing time for the dollar. The currency lost ground yesterday, mainly on interest rate factors, but there was little reaction to a widening of the US trade deficit in May.

Trading was thin as attention focused on today's congressional testimony by Mr Greenspan. Dealers will look for any indication of easier credit policy. Last week the Fed chairman mentioned possible easing and this was followed on Friday by signs that the target rate for Federal funds has been cut by ¼ point to 8 per cent. Yesterday's action, adding $2bn to the New York money market via customer repurchase agreements, was regarded as technical. Fed funds were trading at 8 per cent at the time.

A rise in May US exports failed to offset higher oil imports, but the market was reasonably content with an increase in the trade deficit to $7.73bn from a revised $7.31bn in April, even though the figure was higher than expected. Dealers said that as long as the trade gap remains in single figures the market is unlikely to show much reaction. Data on US industrial production and capacity utilisation also left the market unmoved.

The dollar fell to DM1.6460 from DM1.6530; to SFr1.4060 from SFr1.4170; and to FFr5.5200 from FFr5.5450, but rose slightly to Y148.35 from Y148.05. The dollar's index was unchanged at 65.7.

Sterling traded steadily against full members of the European Monetary System and improved in terms of the dollar, but failed to fulfil speculation early in the day about a possible break through DM3.00. It touched a peak of DM2.9975, prompted by demand from the Far East, before falling back to close unchanged in London at DM2.9625. The pound also finished unchanged at FFr10.0025, but fell to SFr2.5475 from SFr2.5575, while rising to Y268.75 from Y267.00. Sterling gained 80 points against the dollar to $1.8120. The pound's index rose 0.2 to 94.0.

The Swiss franc rebounded, after weakening on speculation about an easing of the Swiss National Bank's monetary stance. Profit taking in long D-Mark and dollar positions against the franc pushed up the Swiss currency. Sentiment was also helped by a narrowing of the June Swiss trade deficit to SFr516.3m from SFr889.0m. The Swiss franc rose to DM1.1705 from DM1.1665 at the finish of trading in London.

High yielding currencies remained generally firm, with the Spanish peseta and Italian lira around their limits at the top of the EMS exchange rate mechanism.

The Australian dollar rose to 79.00 US cents in Sydney, and closed around that level in London, compared with 78.25 cents on Monday.

£ IN NEW YORK

July 17	Latest	Previous Close
£ Spot	1.8125-1.8135	1.8035-1.8043
1 month	1.06-1.05pm	1.03-1.06pm
3 months	2.94-2.92pm	2.93-2.90pm
12 months	9.65-9.60pm	9.66-9.56pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		July 17	Previous
8.30	am	94.2	93.5
9.00	am	94.1	93.4
10.00	am	94.0	93.6
11.00	am	94.0	93.7
Noon		94.0	93.6
1.00	pm	94.0	93.6
2.00	pm	94.0	93.8
3.00	pm	94.0	93.7
4.00	pm	94.0	93.8

CURRENCY RATES

July 17	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.745116	0.693591
U S Dollar	7	1.35957	1.25471
Canadian $	13.32	1.55216	1.45069
Austrian Sch.	6½	15.6247	14.5734
Belgian Franc	10¼	45.7095	42.4506
Danish Krone	10½	8.44264	7.87516
Deutsche Mark	6.00	2.21994	2.07027
Neth Guilder	7.00	2.50165	2.33426
French Franc	10¼	7.44198	6.94166
Italian Lira	13½	1624.70	1516.00
Japanese Yen	5¼	198.725	186.013
Norway Krone	8	8.50091	7.93727
Spanish Peseta	-	135.980	126.851
Swedish Krona	11	8.03005	7.49562
Swiss Franc	6.00	1.89482	1.77666
Greek Drach.	20½	N/A	202.572
Irish Punt	-	N/A	0.772032

† European Commission Calculations.
* All SDR rates are for July 16

CURRENCY MOVEMENTS

July 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.0	-18.5
U S Dollar	65.7	-12.7
Canadian Dollar	104.4	+1.5
Austrian Schilling	109.1	+11.3
Belgian Franc	110.6	+2.8
Danish Krone	109.9	+4.2
Deutsche Mark	117.7	+23.6
Swiss Franc	112.3	+20.4
Guilder	113.6	+15.3
French Franc	104.2	-12.4
Lira	101.0	-18.4
Yen	123.3	+53.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for July 16.

OTHER CURRENCIES

Jul 17	£	$
Argentina	9444.00 - 9482.25	5220.00 - 5240.00
Australia	2.2875 - 2.2895	1.2655 - 1.2665
Brazil	119.405 - 120.525	66.000 - 66.600
Finland	6.9585 - 6.9720	3.8520 - 3.8550
Greece	289.95 - 294.60	160.25 - 162.85
Hong Kong	14.0440 - 14.0575	7.7690 - 7.7710
Iran	123.70*	68.40*
Korea(Sth)	1277.75 - 1298.40	713.20 - 718.80
Kuwait	0.5260 - 0.5280	0.2905 - 0.2910
Luxembourg	61.55 - 61.65	33.95 - 34.05
Malaysia	4.8845 - 4.8970	2.7045 - 2.7065
Mexico	5194.20 - 5213.75	2871.00 - 2881.00
N.Zealand	3.0485 - 3.0535	1.6860 - 1.6880
Saudi Ar.	6.7870 - 6.8000	3.7495 - 3.7505
Singapore	3.2785 - 3.2860	1.8155 - 1.8175
S.Af (Cm)	4.7650 - 4.7770	2.6315 - 2.6330
S.Af (Fn)	7.1440 - 7.2880	3.9525 - 4.0320
Taiwan	49.00 - 49.10	27.10 - 27.15
U.A.E.	6.6550 - 6.6605	3.6715 - 3.6735

* Selling rate

EURO-CURRENCY INTEREST RATES

Jul 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14⅞	15 - 14⅞	15 - 14⅞	14 15/16 - 14⅞	14⅞ - 14¾	14½ - 14⅜
US Dollar	8⅛ - 8	8⅛ - 8	8⅛ - 8	8 3/16 - 8 1/16	8¼ - 8⅛	8 5/16 - 8 3/16
Can. Dollar	13⅜ - 13¼	13⅜ - 13¼	13½ - 13⅜	13 7/16 - 13 5/16	13⅛ - 13	13 1/16 - 12 15/16
D. Guilder	7 15/16 - 7 13/16	8 - 7⅞	8 - 7⅞	8 3/16 - 8 1/16	8 5/16 - 8 3/16	8 7/16 - 8 5/16
Sw. Franc	8¼ - 8⅛	8⅜ - 8¼	8 15/16 - 8 13/16	8 13/16 - 8 11/16	8 13/16 - 8 11/16	8⅝ - 8½
Deutschmark	8¼ - 8⅛	8⅜ - 8¼	8⅜ - 8¼	8½ - 8⅜	8⅝ - 8½	8 13/16 - 8 11/16
Fr. Franc	10⅛ - 10¼	10⅛ - 10	10 - 9⅞	10 3/16 - 10 1/16	10⅜ - 10¼	10½ - 10⅜
Italian Lira	12⅝ - 11⅝	11⅞ - 11⅝	11⅜ - 11⅛	11⅝ - 11⅜	11⅝ - 11½	11¾ - 11⅝
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	7½ - 7⅜	7⅝ - 7½	7⅝ - 7½	7¾ - 7⅝	7 13/16 - 7 11/16	7 13/16 - 7 11/16
D.Krone	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10⅜ - 10¼
Asian $Sing	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛

Long term Eurodollars: two years 8½-8⅜ per cent; three years 8⅞-8¾ per cent; four years 9-8⅞ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7995 - 1.8130	1.8115 - 1.8125	1.06-1.04cpm	6.95	2.94-2.91pm	6.46
Canada	2.0890 - 2.0955	2.0920 - 2.0930	0.26-0.19cpm	1.29	0.73-0.60pm	1.27
Netherlands	3.35¾ - 3.37¾	3.35¾ - 3.36¾	2-1⅞cpm	6.91	5⅞-5¾pm	6.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.62-5.57cpm. 12 Month 9.70-9.60cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	1.6445 - 1.6570	1.6455 - 1.6465	0.01-0.03pfdis	-0.15	0.05-0.08dis	-0.16
Portugal	144.75 - 144.95	144.85 - 144.95	40-50cdis	-3.73	155-180dis	-4.62
Spain	101.00 - 101.40	101.00 - 101.10	55-61cdis	-6.89	157-168dis	-6.43
Italy	1205¼ - 1212½	1204¾ - 1205¼	3.10-3.60liredis	-3.34	9.00-9.80dis	-3.12
Norway	6.31¼ - 6.34	6.32¼ - 6.32¾	1.30-1.55oredis	-2.70	4.10-4.60dis	-2.75
France	5.51½ - 5.55¼	5.51¾ - 5.52¼	0.83-0.92cdis	-1.90	2.58-2.75dis	-1.93
Sweden	5.96¼ - 5.98¾	5.97 - 5.97½	1.86-2.01oredis	-3.89	5.85-6.20dis	-4.04
Japan	147.70 - 148.50	148.30 - 148.40	0.08-0.06ypm	0.57	0.19-0.16pm	0.47
Austria	11.60½ - 11.65	11.61½ - 11.62½	0.15-0.55grodis	-0.36	1.00-2.10dis	-0.53
Switzerland	1.4045 - 1.4210	1.4055 - 1.4065	0.07-0.10cdis	-0.73	0.22-0.28dis	-0.71
ECU	1.2505 - 1.2570	1.2535 - 1.2545	0.22-0.21cpm	2.06	0.67-0.65pm	2.11

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6506	+1.14	+0.59	±1.5508
Danish Krone	7.79845	7.87516	+0.98	+0.43	±1.6453
German D-Mark	2.04446	2.07027	+1.26	+0.71	±1.1762
French Franc	6.85684	6.94166	+1.24	+0.69	±1.3618
Dutch Guilder	2.30358	2.33426	+1.33	+0.78	±1.5272
Irish Punt	0.763159	0.772032	+1.16	+0.61	±1.6689
Italian Lira	1529.70	1516.00	-0.90	-0.35	±1.5162
Spanish Peseta	132.889	126.851	-4.54	-4.53	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.812	2.983	268.8	10.00	2.548	3.363	2184	2.093	61.60
$	0.552	1	1.646	148.3	5.519	1.406	1.856	1205	1.155	34.00
DM	0.335	0.607	1	90.11	3.352	0.854	1.127	732.1	0.702	20.65
YEN	3.720	6.741	11.10	1000.	37.20	9.479	12.51	8125	7.786	229.2
F Fr.	1.000	1.812	2.983	268.8	10.	2.548	3.363	2184	2.093	61.60
S Fr.	0.392	0.711	1.171	105.5	3.925	1	1.320	857.1	0.821	24.18
H Fl.	0.297	0.539	0.887	79.93	2.974	0.758	1	649.4	0.622	18.32
Lira	0.458	0.830	1.366	123.1	4.579	1.167	1.540	1000.	0.958	28.21
C $	0.478	0.866	1.425	128.4	4.778	1.217	1.607	1043	1	29.43
B Fr.	1.623	2.942	4.843	436.4	16.23	4.136	5.459	3545	3.398	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EURODOLLAR OPTIONS — [illegible]

LIFFE EUROMARK OPTIONS — [illegible]

LIFFE SHORT STERLING OPTIONS — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT — [illegible]

US TREASURY BONDS 8% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — [illegible]

THREE MONTH STERLING — [illegible]

THREE MONTH EURODOLLAR — [illegible]

THREE MONTH EUROMARK DM 1m points of 100%

	Close	High	Low	Prev.
Sep	91.60	91.64	91.59	91.64
Dec	91.43	91.47	91.42	91.47
Mar	91.41	91.43	91.40	91.44
Jun	91.38	91.43	91.38	91.44
Sep	91.31			91.37
Dec	91.30			91.36
Mar	91.27			91.33
Jun	91.27			91.33

Estimated volume 7440 (7694)
Previous day's open int. 64451 (65981)

THREE MONTH ECU ECU 1m points of 100%

	Close	High	Low	Prev.
Sep	89.63	89.64	89.60	89.68
Dec	89.73	89.75	89.75	89.76
Mar	89.85	89.89	89.80	89.83
Jun				

Estimated volume 71 (149)
Previous day's open int. 2663 (2574)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Sep	2476.0	2499.0	2470.0	2484.0
Dec	2537.5			2545.5
Mar	2588.0			2596.0

Estimated volume 4002 (3563)
Previous day's open int. 23204 (23282)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8120	1.8015	1.7827	1.7561	1.7155

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7884	1.7920	1.7870	1.7816
Dec	[illegible]	[illegible]	[illegible]	1.7548
Mar	[illegible]			1.7312

CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

JAPANESE YEN (IMM) — [illegible]

DEUTSCHE MARK (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

SWISS FRANC (IMM) — [illegible]

STANDARD & POORS 500 INDEX — [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low		
[illegible]							
December	90.37	90.37	+0.03	90.07	90.05	9.93	4,382
March	90.06	90.05	-0.02	90.06	90.05	9.93	1,864
June	-	-	-	-	-	9.92	116

Estimated volume 4,629 Total Open Interest 18,571

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
July	2036.0	2028.0	- -	2040.0	2026.0	5,196
August	2049.0	2040.0	+1.0	2052.0	2037.6	854
September	2256.0	2056.0	+12.0	2056.0	2056.0	10
December	-	-	-	-	-	-

Estimated volume 3,460 Total Open Interest 6,060

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williams Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bank	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Slightly softer tone

INTEREST RATES eased in London yesterday, despite a larger than expected UK public sector borrowing requirement in June. Sentiment was helped by sterling's steady performance against the D-Mark. Three-month interbank was quoted at 14 13/16-14 23/32 per cent against 14 27/32-14 23/32, while 12-month money declined to 14½-14⅜ per cent from 14 9/16-14 7/16.

Short sterling futures weakened on the PSBR data. December delivery opened firmer at 86.39 and touched a peak of 86.43, before falling back to close at 86.32, compared with 86.36 previously.

Day-to-day credit was in fairly short supply on the money market. The Bank of England initially forecast a shortage of £700m, but revised this to £750m in the afternoon. Total help of £522m was provided.

Before lunch the authorities bought £156m bills outright, by way of £50m Treasury bills in band 1 at 14⅞ per cent; £31m bank bills in band 1 at 14⅞ per cent; and £75m bank bills in band 2 at 14¾ per cent. In the afternoon another £201m bank bills were purchased in band 2 at 14¾ per cent. Late assistance of around £165m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £441m, with Exchequer transactions absorbing £310m, and bank balances below target £10m. These outweighed a fall in the note circulation adding £65m to liquidity.

In Frankfurt call money was unchanged at 8.075 per cent as banks waited for today's allocation of funds at this week's securities repurchase agreement tender. The Bundesbank has set a two-tranche tender, offering 27-day and 63-day money at variable bid rates. Two earlier facilities totalling DM19.2bn expire today and banks hope that the tightness of the market will encourage the authorities to provide a net increase in liquidity.

Banks reserve holdings at the Bundesbank rose to DM63.4bn from DM59.4bn last Friday, boosted by high Lombard borrowings, and by money from public authorities - estimated at around DM5bn - diverted into the market by the Bundesbank. The funds from public authorities have been left in the market so far this week, and although Lombard borrowings fell to DM4.6bn from DM7.1bn yesterday credit conditions are expected to remain tight.

UK clearing bank base lending rate
15 per cent
from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. July 17)	3 months US dollars		6 months US Dollars	
	bid 8⅛	offer 8¼	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	[illegible]	Three year	8.24
Broker loan rate	9⅝	Two month	[illegible]	Four year	8.30
Fed.funds	8	Three month	[illegible]	Five year	8.30
Fed.funds at intervention	-	Six month	7.93	Seven year	8.43
		One year	7.91	10-year	8.44
		Two year	8.14	30-year	8.46

July 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.15	8.00-8.15	8.05-8.20	8.15-8.30	8.30-8.50	8.00
Paris	9¾-9⅞	9 15/16-9 13/16	9⅞-10	10-10⅛	10⅛-10¼	9.50
Zurich	8¼-8⅝	8⅝-8¾	-	8¾-8⅞	-	-
Amsterdam	7.75-7.90	7.98-8.02	-	8.15-8.25	-	-
Tokyo	7 13/16-7 11/16	7 13/16-7 11/16	-	7 15/16-7 13/16	-	-
Milan	11½-11⅞	11⅜-11⅝	-	11⅜-11⅝	-	-
Brussels	9.25	9⅝-9½	-	9⅝-9½	-	-
Dublin	10⅝-10⅜	10⅝-10½	10 9/16-10 7/16	10⅝-10½	10⅝-10½	-

LONDON MONEY RATES

Jul 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15	15	15	14⅞	14 9/16
Interbank Bid	14⅞	14⅞	14⅞	14 13/16	14¾	14½
Sterling CDs.	-	-	14 13/16	14 25/32	14¾	14 9/16
Local Authority Deps.	15	15	14 15/16	14 13/16	14¾	14⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14¾	14½	-	-
Company Deposits	-	-	15	15	14 13/16	14⅞
Finance House Deposits	-	-	14 15/16	14 13/16	14 13/16	14 9/16
Treasury Bills (Buy)	-	-	14⅝	14 7/16	-	-
Bank Bills (Buy)	-	-	14 11/16	14 11/16	13 15/16	-
Fine Trade Bills (Buy)	-	-	15⅛	14 15/16	14¼	-
Dollar CDs.	-	-	8.10	8.10	8.15	8.25
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9 3/16
SDR Linked Dep. Bid	-	-	8¾	8⅞	9	9 1/16
ECU Linked Dep. Offer	-	-	10	10¼	10 7/16	10⅝
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10 5/16	10½

Treasury Bills (sell); one-month 14⅝ per cent; three months 14¼ per cent; six months 13 13/16 per cent; Bank Bills (sell): one-month 14 13/16 per cent; three months 14 9/16 per cent; Treasury Bills; Average tender rate of discount 14.3026 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29, 1990. Agreed rates for period July 25, 1990 to August 25, 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1, 1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

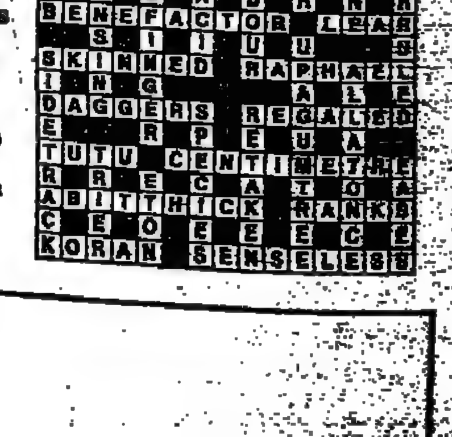
CROSSWORD

No.7,292 Set by DINMUTZ

ACROSS
1 Sharp cue (6)
4 The language when a tennis ball is out! (8)
9 American dramatist made a certain person sick (6)
10 Once a week? (8)
12 Make an artistic impression, and so forth, with pencil (4)
13 City shrouded in mystery? (5)
14 Some compatriots arraigned Nicholas, for example (4)
17 Miserable from record being played well after normal hours (12)
20 Describing a flop in tuber production (12)
23 Book works (4)
24 Most of burning forest (5)
25 Icelandic tales (some printed daily) (4)
28 Rest after solid hay-making (8)
29 Measure jacket (6)
30 One in York, for example, is a clergyman (8)
31 Worker let loose in drive (6)

DOWN
1 Goes on to make profits (8)
2 Cloudy? Some balls turn! (8)
3 Packet in the post (4)
5 Prices of leaf brought down – this once only? (7,5)
6 Possesses snow-plough (4)
7 Eat laughingly, you say? (6)
8 Country complexion? (6)
11 Cursory, say, when read to kids? (7-5)
15 Plant discovered (5)
16 Plight of country (5)
18 Turning in, Bede to be like a good monk (8)
19 Little Margaret, a dope perhaps – one who lets out the clutch on a hill? (8)
21 Chaos of a month over the border (6)
22 Lifted from choppy Solent (6)
26 The day Julius Caesar collected his rents? (4)
27 Circumnavigator by another name? (4)

Solution to Puzzle No.7,291



JOTTER PAD

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices July 17

MONTREAL
Closing prices July 17

Total Sales 4,034,581 shares.

INDICES

NEW YORK

DOW JONES	July 17	July 16	July 13	July 12	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2999.75	2999.75	2980.20	2969.80	2999.75 (16/7)	2543.24 (30/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.12	91.26	91.17	91.04	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1187.59	1189.60	1187.59	1164.96	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	205.11	205.86	206.17	206.49	226.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3024.26 (3017.03) Low 2970.05 (2971.78)

STANDARD AND POOR'S	July 17	July 16	July 13	July 12	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	367.52	368.95	367.31	365.44	368.95 (16/7)	322.98 (30/1)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	436.58	437.37	435.39	433.38	437.37 (16/7)	371.92 (30/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	29.20	29.12	28.87	28.72	31.87 (3/1)	26.99 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	200.49	201.13	200.33	199.23	201.13 (16/7)	178.43 (30/1)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	364.39	365.58	363.99	362.23	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	464.48	469.60	468.44	467.17	469.60 (16/7)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	July 13	July 6	Jun 29	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.71	3.74	3.63

	Jul 11	Jul 4	Jun 27	year ago (approx.)
S & P Industrial div. yield	2.90	2.92	2.97	3.17
S & P Indl. P/E ratio	17.13	17.00	16.70	12.85

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Utd Telecomms	1,898,600	29½	- 8⅞
Chase Man	5,426,800	21⅛	+ ⅛
GTE Corp	3,583,200	28⅜	- ⅜
Am T&T	2,773,100	37	- ⅛
Baxter Intl	2,670,100	27⅜	+ ⅝
Wal-Mart	2,660,500	35½	- ⅜
Philip Morris	2,142,300	50½	+ ⅜
Comp Assoc	1,962,400	9½	- ⅛
Contel Corp	1,962,200	33⅝	- ⅜
Lowe's	1,864,200	41⅛	- 6⅛

TRADING ACTIVITY

† Volume Millions	July 17	July 16	July 13
New York	176.790	149.430	215.600
Amex	12.596	12.659	15.702
NASDAQ	(u)	138.072	160.592
Issues Traded	2,032	2,031	2,014
Rises	648	860	928
Falls	874	668	613
Unchanged	510	503	473
New Highs	76	105	156
New Lows	53	40	38

CANADA

TORONTO	July 17	July 16	July 13	July 12	1990 HIGH	1990 LOW
Metals & Minerals	3359.95	3403.00	3375.64	3342.75	3453.05 (4/1)	2850.80 (23/4)
Composite	3613.39	3638.85	3596.38	3569.77	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1880.74	1897.61	1870.53	1855.03	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 17	July 16	July 13	July 12	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1624.0	1638.2	1621.1	1667.2	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	797.9	778.5	763.1	762.3	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	670.37	656.43	644.96	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6262.11	6260.76	6247.59	6238.44	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	385.04	383.24	380.74	378.71	385.04 (17/7)	352.96 (25/4)
FINLAND						
Unitas General (1975)	532.7	533.3	534.4	535.8	677.3 (23/1)	532.7 (17/7)
FRANCE						
CAC General (31/12/82)	538.38	534.40	533.22	529.64	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2019.50	2015.59	1998.54	1975.18	2129.32 (20/4)	1808.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	818.84	819.52	818.15	815.96	850.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2369.30	2366.0	2363.4	2360.4	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1929.80	1931.86	1931.33	1916.22	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3463.94	3488.85	3507.16	3466.59	3507.16 (13/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1646.33	1646.82	1652.10	1645.11	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	736.20	730.99	732.19	731.88	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	33172.28	33021.73	32644.37	32575.32	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2407.31	2400.16	2369.84	2354.24	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4431.50	4477.16	4467.25	4418.71	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	631.13	630.52	616.70	606.12	631.13 (17/7)	518.53 (2/5)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	271.8	271.5	270.1	266.5	271.8 (17/7)	240.1 (26/2)
CBS All Shr (End 1983)	202.4	202.2	201.2	198.5	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	862.79	862.53	860.80	853.40	862.79 (17/7)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	897.17	891.50	884.17	889.84	1160.78 (21/3)	740.51 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	446.32	446.87	444.97	438.21	446.87 (16/7)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1548.0§	1566.0	1536.0	1441.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2957.0§	2967.0	2967.0	2960.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	683.01	688.78	701.91	928.82 (4/1)	683.01 (16/7)
SPAIN						
Madrid SE (30/12/85)	308.10	309.74	306.57	305.99	309.74 (16/7)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1321.5	1321.9	1324.9	1326.2	1329.9 (5/7)	1127.28 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	(u)	845.5	845.3	845.5 (13/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	4818.41	4709.75	4854.72	4626.89	12495.34 (10/2)	4524.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	1064.89	1054.25	1053.59	1056.46	1087.53 (3/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	539.8	536.0	530.3	571.0 (4/1)	468.3 (2/4)

**Saturday July 14: Taiwan Weighted Price: 4813.07. Korea Comp Ex. 689.19
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday July 17 1990

	Stocks Traded	Closing Prices	Change on day
Kurabo	17.1m	1,070	-10
Toda Cnstrctn	15.7m	2,450	+80
Canon	12.7m	1,820	-20
Fuji Photo Film	10.1m	4,980	+30
Nippon Steel	9.3m	580	+6
Sekisui Chmcl	8.8m	1,690	+50
Japan Mtl&Chm	8.8m	1,890	-50
Okumura	8.7m	2,050	+20
Maeda Rd Cnstr	8.1m	3,180	+140
Honshu Paper	8.1m	3,410	+60

AMEX COMPOSITE PRICES

4pm prices July 17

4pm prices July 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	18	AAR	.48	2.1	14	314	23⅛	22⅝	22⅝	– ¼
9¾	8	ACM n	1.01	12.		74	8⅝	8½	8½	– ⅛
11⅝	9⅞	ACMIn	1.26	12.		577	10⅜	10¼	10⅜	
9¼	7¼	ACM M	n1.01	12.		285	8⅜	8	8⅛	
12⅛	10	ACMIAM				97	11⅜	11¼	11⅜	+ ⅛
11½	9⅞	ACM Sc	1.26	13		829	10⅛	10	10	– ⅛
9⅞	8⅛	ACMSp	1.01	12.		727	8½	8¼	8¼	– ¼
24⅝	14⅞	AL Lab	.18	.7	21	111	23⅞	22¼	23	– ⅞
5¾	2⅛	AM Intl				690	2½	2⅜	2⅜	– ⅛
23⅞	10⅛	AM In pf	2	16.		28	12⅜	12⅛	12⅜	+ ⅛
107¼	52½	AMR			12	1047	65	64½	64⅞	+ ⅛
26½	25	ANR pf	2.67	10.		1	25½	25½	25½	+ ⅛
4⅝	3	ARX				141	3⅜	3¼	3¼	
72⅛	41⅞	ASA	3a	6.4		1151	47¼	46⅛	46⅛	
44⅞	30⅞	AbtLab	s.84	1.9	22	9269	u45⅞	44⅝	44⅞	+ ½
15½	11⅛	Abitibi	g.50			6	13⅞	13⅞	13⅞	
12⅛	7½	AcmeC	.40	4.9	10	93	8⅛	8⅛	8⅛	– ⅛
9⅞	7¼	AcmeE	.32	3.9	10	20	8⅛	8¼	8¼	– ⅛
47¼	28⅞	Acusn			28	902	u48	46⅞	47⅛	+ 1⅛
16⅞	14⅛	AdaEx	2.06e	13		168	16⅛	16⅛	16⅛	– ⅛
15⅞	10	Adobe				279	11⅝	11⅜	11½	+ ⅛
20¼	18	Adob pf	1.84	9.5		9	19⅜	19⅜	19⅜	+ ⅛
21⅝	20⅛	Adob pf	2.40	11.		1	21	21	21	– ⅛
11⅝	6⅞	AMD			20	1478	9⅝	9¼	9⅜	– ¼
32⅞	23¼	AMD pf	3	9.5		3	31½	31½	31½	

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
27⅝	18¾	XTRA pf1.94		10.		1	19⅛	19⅛	19⅛	− ⅞
4¼	1½	Zapata				460	1⅞	1⅝	1⅞	
12	5⅛	Zemex				13	5⅛	5⅛	5⅛	− ⅛
19	7⅞	ZenithE				423	7⅞	7⅝	7⅝	− ⅛
21½	13½	ZenNtl	.88	5.9	9	27	15	15	15	
9⅝	5⅞	Zenix	.90	14.		215	6¼	6	6⅛	+ ⅛
18½	12⅞	Zero s	.40	2.8	14	416	14½	14⅛	14⅜	+ ⅜
51	34⅞	Zurnin	.76	1.5	22	252	u51⅞	50⅞	50¼	
12⅝	10⅞	Zweig	1.21e	11.		375	11⅝	11⅝	11⅝	
10	9	ZweigTl	.98	10.		2408	9⅛	9¼	9⅛	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices July 17

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Continued resistance at 3,000 sends equities lower

Wall Street

CONTINUED resistance at 3,000, and a negative reaction to earnings from United Telecommunications sent the Dow Jones Industrial Average modestly lower yesterday morning, *writes Janet Bush in New York.*

Having initially edged above the 3,000 level, the Dow then slipped back. At 2pm, it was 7.18 lower at 2,992.57 on active volume of 112m shares. On Monday, the Dow had closed 19.55 higher at 2,999.75 having traded above 3,000 for long periods during the session.

Although the round number of 3,000 has no significance in technical terms, it has considerable psychological power. Typically, when the Dow approaches a point like this, it can take days for the index finally to break above it.

The Dow made its first breakthrough during the trading day last Friday, as the US Federal Reserve confirmed that it had eased monetary policy. However, on both Friday and Monday, the index failed to close above the magic level – although it was close on Monday.

The market, currently, is little influenced by anything else. Yesterday saw the release of May figures for the US merchandise trade deficit as well as June figures for industrial production and capacity utilisation but there was little response.

The only other factor moving the market are corporate earnings, as companies announce their second quarter results. United Telecommunications appeared to attract a lot of investor attention and was cited by dealers as a factor dragging the broad market lower despite the fact that its problems are specific to the company and do not reflect wider problems in the telecommunications industry.

UT dropped $6⅞ to $31⅛ on earnings per share of 18 cents for the second quarter compared with 43 cents a share in the same period a year ago. However, these earnings were significantly impacted by non-recurring charges of $72m or 18 cents a share.

Commercial bank results were mixed. At the encouraging end of the range, NCNB jumped $⅞ to $37⅜ and Wells Fargo added $1⅞ to $80 following their earnings announcements. Bank of New York, in contrast, fell $1⅛ to $27½ after reporting that its earnings were off 39 per cent from a year earlier.

There were positive earnings stories from Honeywell, which jumped $2 to $109 after reporting a leap in its income from continuing operations of 54 per cent from a year ago, and from Coca-Cola, up $1⅛ to $46⅜ on an 18.6 per cent rise in second quarter earnings.

Chevron added $⅜ to $75⅞ following Pennzoil's disclosure that it plans to increase its 8.8 per cent stake to just less than 10 per cent by purchasing an additional 3.9m shares.

Rite Aid added $⅜ to $37⅞. An Ohio judge threw out a bribery case on Monday against the company and its president, arguing that the evidence presented was insufficient to put before a jury.

First Brands gained $¾ to $28½ after a US press report quoting its chief executive as saying that a definitive agreement would be reached within the next few months about the company's sale. Two large US consumer goods companies and several foreign companies have expressed interest in acquiring the company, according to the reports.

Canada

TORONTO stocks extended early losses in featureless trading at midsession, pulling back after its recent gains. The composite index lost 24.4 to 3,614.4 on volume of 11.37m shares. Declines led advances by 235 to 207.

Among active issues, Inco dropped C$⅞ to C$35⅝, Gulf Canada eased C$¼ to C$15¾, Alcan slipped C$¼ to C$27, Laidlaw fell C$⅛ to C$27¾ and Horsham weakened C$⅛ to C$10⅞.

Latin bourse turnover hits the headlines

William Cochrane explains the recent growth in Italian and Spanish volume figures

FRANCE apart, Europe's Latin markets hit the volume headlines in the quarter to June, and in the month itself. The growth of stock market turnover in Italy and Spain owes something to national market rotation, as international investors pulled away from the West German market, flirted with France and Switzerland, and returned to the UK.

However, economic performance had a lot to do with the flow of funds. Two of the strongest performing markets in May, Switzerland and the UK, were characterised by sharp currency rebounds after a prolonged period of relative weakness; Italy saw a 1 per cent cut in the discount rate in May; and Spain's success is based on prognostications which may, or may not, come true.

The outstanding performance in June was Italy's 34 per cent jump in turnover. Mr Roberto Morelli of County NatWest WoodMac, which produces the figures, says that L250bn ($206m) to L300bn a day has been a recent norm in Milan compared with only L100bn to L150bn in the early spring of this year.

Italy has had the World Cup to focus attention on the country; the passing of the Amato law, bringing corporate reform to its banking system; a revival in the heavily traded insurance sector; local elections in late May which indicated no threat to the national coalition government; and, above all, economic success reflected in a supplementary budget and a new government fiscal plan.

Spain's equity market saw a sharp recovery in April, sustained in May and improved upon in June. Mr James Cornish, an international strategist with County, says that investors are expecting, firstly, inflation to come down and, secondly, that the Bank of Spain will be able to lower interest rates accordingly. "We feel that the first is probably true, and the second probably not," he remarks.

The disappointment of the quarter, probably, has been France's short-lived honeymoon with the international investor. Mr Cornish notes that at the end of May, President Mitterrand made a speech designed for his and his government's traditional left-wing supporters, talking about soaking the rich, raising capital gains tax and increasing the minimum wage.

France's economic success would probably have outweighed the fact that it was achieved by economic policies which its Socialist government has found embarrassing, especially at the level of its grass roots support. However, the short-lived strength of the market in April was met by a wave of new issues, and while investors are digesting those, they have less money to spare for the secondary market.

Mr Cornish also explains a major revision to the Swiss figures for May, estimated when there had been a surge of foreign business into the top 20 stocks in the Zurich market. County extrapolated this into the rest of the market, but it turned out later that volume elsewhere had been much less buoyant.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Mar 1990	Apr 1990	May 1990	June 1990	US $bn
Belgium	46.3	29.2	42.1	43.7	1.3
France	107.0	142.0	115.9	101.4	18.1
Germany	191.0	121.1	139.7	142.2	85.4
Italy	15,913	17,056	19,028	25,572	20.8
Netherlands	12.4	12.1	13.5	11.4	6.1
Spain	368.4	517.0	530.0	616.0	5.7
Switzerland	16.9	13.8	18.4	15.5	11.0
UK	23.8	21.0	27.4	31.2	54.4

Volumes represent purchases and sales. Swiss data estimated.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: County NatWest WoodMac.

EUROPE

Financials stay strong in selective trading

SELECTIVITY by sector was again a common feature of bourse trading yesterday, with financials mostly staying strong, and industrials weak, *writes Our Markets Staff.*

MILAN had little fresh news to go on, and unease that the still unresolved financial difficulties of a local broker, Lombardfin, would force it unload more stock hung over the market. Some analysts expected the market to mark time this month, since the modest number of rights issues due in September would not require the big four corporate groups to orchestrate the traditional August rally. The Comit index rose 5.21 to 736.20.

Fiat and other shares in the Agnelli group remained under pressure as foreign investors continued to switch out of auto-related stocks following the recent unfavourable car sales data. Fiat fell L190 to L8,870 and Magneti Marelli, its car components subsidiary, was L5 lower at L1,544, compared with its year's high of L2,400.

But Fiat's weakness was partially offset by continued demand for banks. Mediobanca, which had been sold off in recent months on fears that it was losing its power broker status, was now being bought for its earnings potential at the operating level rather than for its former attraction as a quasi-investment trust. Ms Melinda Diamond of Baring Securities said that Mediobanca was likely to win a substantial share of the underwriting mandates for the partial privatisations of the state-owned banks, which could occur as early as next year. Mediobanca climbed L360 to L21,050 and savings shares of Banco di Napoli, slated for partial privatisation, jumped L1,330 to L21,850.

PARIS was reasonably active, though trading was confined to a few stocks. The CAC 40 index ended 3.91 better at 2,019.50 in trading estimated at between FFr2-2.5bn.

Lafarge Coppée, the cement company, jumped FFr16.6 to FFr477.10, with 396,340 shares changing hands, following news on Monday that it had taken control of East Germany's largest cement producer. Accor, the hotel group, continued to labour under the market's disapproval of its US acquisition announced recently. The stock fell FFr29 to FFr981 with 46,450 shares traded.

Lyonnaise des Eaux and Dumez continued to be actively traded though volumes were turning down. Lyonnaise was FFr1 up at FFr626, with 102,325 shares traded compared to over 200,000 recently. Dumez was FFr4 higher at FFr750 with 100,350 shares traded. LVMH, the luxury goods and spirits company, caught the eye as it rose FFr80 to FFr4,700, after being depressed around FFr4,440 recently.

FRANKFURT added a refinement to the financials/industrials ups and downs, as the West German chemical sector stayed relatively strong with BASF up DM3.90 to DM283.70, Bayer DM4.30 to DM299 and Hoechst DM3.20 to DM283.

Chemicals had lagged behind the West German equity market for so long that they had already reached, and passed the low point that other cyclical stocks – steels, metals, engineering and, just recently, motor companies – were beginning to approach, said Mr Werner Wanke, head of securities at B Metzler in Frankfurt.

Mr Wanke, in London yesterday to talk to institutional clients, said that Metzler holds to its view that this is a "whipsaw" market; however, after the improvement in the domestic bond market, where the Bundesbank's average bond yield held firm yesterday at 8.69 per cent, he is willing to concede that the DAX index may top its previous high of 1,968.55 of March 30 in coming weeks, although without a clear and extended breakthrough into a new bull market.

The DAX closed at 2.86 lower at 1,929.00 yesterday, after a 1.48 fall to 818.04 in the DAX at midsession. The indices, particularly the DAX, were supported by the performances of chemicals where the average earnings per share downturn this year will be about 4 per cent, on Metzler's calculations, and where the average p/e ratio is only 7 to 7½.

Banks took support from the bond market, particularly Bayerische Hypobank, up DM6.50 to DM419.50, and Bayerische Vereinsbank, up DM13.30 to DM447.30. The general upswing in banks is based on the bond market; the relative performance of the Bavarians reflects their earlier status as laggards and Bayernverein's, additionally, holdings of 10 and 7½ per cent respectively in Allianz and Munich Re, the insurance companies which have been strong features in the West German equity markets recently.

Carmakers fell across the board yesterday, BMW shedding DM12 to DM588, Daimler DM8.50 to DM845 and Porsche DM30 to DM1,280. Volkswagen fell another DM7 to DM615, a two-day fall of DM19.50; it transpires that sell recommendations by London stockbrokers James Capel and SG Warburg were behind the drop, in high turnover which, again, far outpaced other active stocks yesterday at DM1.27bn against DM1.43bn on Monday. Overall, market volume eased a little, from DM8.1bn to DM7.7bn.

ZURICH finished mixed to easier as investment shifted into insurance from machinery and chemical issues. Dealers said that many foreign investors, including some from London, were involved in the switching process.

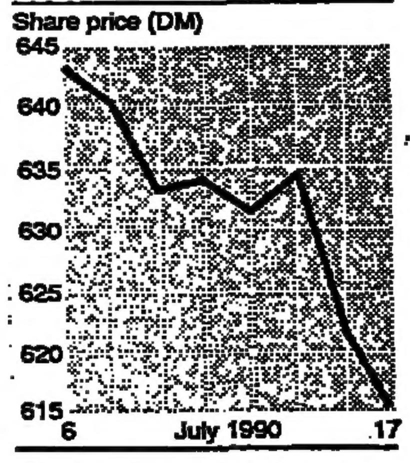
The Crédit Suisse index fell 3.1 to 679.3. In chemicals, Roche bearers fell SFr110 to SFr8,330 although the company forecast higher profits in 1990 yesterday. In foods, Nestlé bearers fell SFr100 to SFr8,850, but insurers bucked the trend to close firmer again.

AMSTERDAM closed a quiet day higher in featureless trading. Some traders were surprised that Wall Street's record gains had not shaken the Dutch market out of its summer lethargy. The CBS Tendency index added 0.3 to 121.8.

MADRID ended lower on profit-taking. The general index fell 1.63 to 306.11 by the close of continuous trade, 0.03 lower than at the close of the pit session. Chemicals, builders and banks lost ground while electrical stocks held steady.

Volkswagen

Share price (DM)



SOUTH AFRICA

GOLD shares were easier, in trading confined to quality stocks. Vaal Reefs added R4 to R286 while De Beers eased 50 cents to R45. The JSE all-gold index lost 18 to 1,548 and the overall index slipped 12 to 3,068.

ASIA PACIFIC

Arbitrage buying offsets scare over higher rates

Tokyo

INTEREST rate scares jolted investors yesterday, but last minute arbitrage buying took share prices higher by the close and gave the market its fifth consecutive gain, *writes Michiyo Nakamoto in Tokyo.*

After a promising start, following another record close on Wall Street overnight, the market then lost upward momentum towards midday amid rumours of an increase in the official discount rate. Dealers buying in arbitrage with the futures market just before the close, however, saved the day and the Nikkei closed up 150.55 at 33,172.28. In intraday trading the Nikkei had fallen below the 33,000 level to touch 32,968.78, while the high for the day was 33,177.71.

Gains led declines by 505 to 407, with 217 issues unchanged. Turnover rose to 600m shares from Monday's 580m. Trading, however, was concentrated in the earlier session and turnover of 400m shares in the morning tailed off to about 200m for the afternoon. The Topix index of all listed stocks gained 7.15 to 2,407.31. In London, the ISE/Nikkei 50 index, however, eased 1.38 to 1,797.64.

Yesterday's rumours of higher interest rates came at a time when investors were beginning to feel more confident that domestic rates would not rise in the immediate future. Interest rate rumours were having an exaggerated effect because of the current lack of institutional activity, said Mr Christopher Leighton at Schroder Securities.

Rumours about a rate increase emerged as the differential between the rate for three-month certificates of deposit and the official discount rate approached 2.5 per cent. The Bank of Japan has hinted previously that it would raise the official rate if that gap widens to 2.5 per cent, said Mr Hiroshi Taguchi at Nomura Securities.

Yesterday's weakness was, nevertheless, just a "blip in the market's fortunes," said Mr Leighton. Although the gain in the Nikkei yesterday was entirely due to arbitrage in the last few minutes of trading, the gradual increase in volume and in institutional activity were clear signs that the market was in for a better phase, he added. Buying interest was also shifting from smaller stocks to the more heavily capitalised issues which trade in larger volumes. Yesterday, the second section was hit by profit-taking and the index fell 45.66 to 4,431.50.

High-tech issues succumbed to profit-taking after Monday's gains. Fuji Photo Film, however, maintained its popularity. Trading in the issue was suspended at one point to restore order to the market after it rose Y80 to Y5,000. The stock closed up Y30 at Y4,950.

Likely beneficiaries of the huge amount of public investment being planned took the place of high-tech issues as the market favourites. Toda Construction, in second place on the actives list with 15.7m shares traded, gained Y80 to Y2,450. Maeda Road Construction, which depends on public investment for 66 per cent of its business, rose Y140 to a record Y3,180 in active trading.

Paper and pulp companies, which have lagged behind the market, were also pursued. Speculative activity in Honshu Paper also attracted interest to the sector. Honshu added Y60 at Y3,410 and Oji Paper gained Y50 to Y1,170.

Interest in medium-sized issues supported a firm gain in Osaka. The OSE average rose 159.91 to 36,729.89 on volume of 73.1m shares, up from Monday's 62.5m.

Roundup

CORPORATE activity dominated Singapore yesterday. Seoul was closed for a public holiday.

SINGAPORE retreated after a string of robust gains. The Straits Times index lost 4.90 to 1,571.04. Volume was little changed at 105.6m shares, worth S$241.8m, against 109.9m, or S$253.2m. Development & Commercial Bank rose 3 cents to S$1.67 on rumours that a 20 per cent stake in the company held by United Industrial Corp will be sold to a Malaysian buyer to help finance UIC's recent takeover of Singapore Land. UIC was suspended.

KUALA LUMPUR edged up to a new record high in speculative trading. The composite index rose 0.61 to 631.13.

AUSTRALIA firmed on domestic buying. The All Ordinaries index climbed 15.5 to 1,624.0. AdSteam fell afresh, losing 7 cents to A$4.08. Its heavy drop has prompted an inquiry by the stock exchange.

NEW ZEALAND closed firmer though off the day's highs. The Barclays index added 5.81 at 1,910.66, after touching 1,925. Turnover rose to 11.1m shares or NZ$21.7m from 7.9m or NZ$15.2m.

HONG KONG was weak. The Hang Seng index fell 24.91 to 3,463.94 and turnover slipped to HK$1.8bn from HK$2.5bn.

TAIWAN rebounded on active buying of small and low-priced stocks. The weighted index finished at 4,818.41, up 108.66. Volume rose to 825.5m shares or NT$37.02bn from 709m or NT$32.92bn.

MANILA advanced in spite of Monday's earthquake. The composite index gained 5.67 to 897.17.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 17 1990								MONDAY JULY 16 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	152.09	+1.8	124.44	142.62	130.15	128.06	+0.9	5.44	149.36	122.75	139.78	128.36	126.91	158.31	125.85	136.71
Austria (19)	271.72	−1.0	222.32	254.81	232.53	233.15	−1.2	1.24	274.50	225.59	256.90	235.91	235.89	285.63	193.15	124.70
Belgium (61)	152.09	+0.0	124.44	142.61	130.15	127.52	+0.0	4.54	152.08	124.98	142.31	130.69	127.51	160.02	132.11	132.20
Canada (119)	141.23	−0.6	115.55	132.43	120.85	118.27	−0.8	3.43	142.05	116.74	132.93	122.07	119.16	153.61	130.37	144.86
Denmark (33)	267.29	+0.7	218.70	250.66	228.73	228.39	+0.6	1.26	265.46	218.18	248.45	228.15	227.03	267.29	236.69	211.09
Finland (26)	133.93	+0.2	109.58	125.60	114.61	108.31	+0.0	2.53	133.66	109.85	125.09	114.87	108.29	152.29	129.99	140.65
France (124)	160.84	+0.6	131.60	150.81	137.62	139.27	+0.1	2.94	159.91	131.42	149.64	137.41	139.09	168.85	141.69	125.13
West Germany (92)	139.24	+0.2	113.93	130.59	119.15	119.15	−0.2	1.88	138.98	114.22	130.08	119.44	119.44	139.49	122.05	93.38
Hong Kong (48)	143.24	−0.4	117.20	134.32	122.58	142.89	−0.4	4.39	143.84	118.21	134.61	123.62	143.44	144.49	112.24	103.88
Ireland (17)	186.95	+0.3	152.96	175.31	159.98	161.66	+0.0	2.71	186.35	153.15	174.39	160.14	161.73	198.57	172.72	146.32
Italy (96)	105.93	+0.8	86.67	99.33	90.65	95.33	+0.3	2.47	105.11	86.39	98.36	90.33	95.05	109.26	91.85	92.08
Japan (454)	154.96	+0.2	126.79	145.31	132.62	145.31	+0.4	0.58	154.68	127.12	144.76	132.95	144.76	197.28	124.40	177.28
Malaysia (35)	249.12	+0.2	203.83	233.60	213.18	259.58	+0.2	2.09	248.68	204.37	232.72	213.71	259.12	249.12	204.15	189.71
Mexico (13)	527.46	+0.3	431.57	494.62	451.38	1658.58	+0.2	0.31	526.12	432.38	492.37	452.15	1654.96	549.86	324.53	259.45
Netherland (43)	146.36	+0.6	119.75	137.25	125.25	123.91	+0.1	4.55	145.49	119.57	136.16	125.04	123.75	146.36	130.43	124.62
New Zealand (17)	70.63	+0.8	57.79	66.24	60.44	63.27	+0.3	6.93	70.06	57.58	65.57	60.21	63.11	75.36	59.57	65.13
Norway (23)	250.28	+0.2	204.78	234.70	214.18	214.86	+0.2	1.48	249.85	205.34	233.83	214.73	214.50	250.28	202.34	189.43
Singapore (25)	209.24	+0.1	171.20	196.21	179.05	175.15	+0.1	1.98	208.93	171.70	195.53	179.55	174.89	209.24	179.70	168.49
South Africa (60)	178.59	−0.7	146.12	167.47	152.82	155.83	−0.3	3.82	179.78	147.75	168.25	154.50	156.26	251.39	170.00	150.86
Spain (42)	182.08	−0.1	148.98	170.73	155.79	139.37	−0.3	3.94	182.25	149.78	170.56	156.62	139.79	182.25	132.84	151.91
Sweden (34)	229.81	−0.2	188.03	215.51	196.67	203.19	−0.2	1.99	230.20	189.18	215.43	197.83	203.53	232.74	173.89	176.35
Switzerland (66)	107.68	+0.1	88.10	100.98	92.15	93.86	−0.7	2.20	107.61	88.44	100.71	92.49	94.53	109.77	88.75	85.04
United Kingdom (303)	176.14	+0.8	144.12	165.16	150.72	144.12	+0.4	4.73	174.72	143.59	163.50	150.14	143.59	176.14	139.87	152.73
USA (539)	148.38	−0.4	121.40	139.15	126.98	148.38	−0.4	3.28	148.95	122.41	139.40	128.01	148.95	148.95	130.61	135.03
Europe (981)	156.01	+0.5	127.65	146.30	133.51	130.66	+0.1	3.52	155.21	127.55	145.25	133.39	130.54	156.01	135.57	126.29
Nordic (116)	216.09	+0.2	176.80	202.64	184.92	180.21	+0.2	1.68	215.63	177.21	201.80	185.31	179.90	216.09	185.01	170.73
Pacific Basin (659)	154.33	+0.2	126.28	144.73	132.07	144.33	+0.4	0.89	153.98	126.55	144.11	132.33	143.78	192.75	124.63	172.97
Euro–Pacific (1640)	155.42	+0.3	127.17	145.74	133.00	139.38	+0.3	1.96	154.89	127.29	144.94	133.10	139.01	174.18	130.35	154.43
North America (658)	147.84	−0.4	120.97	138.66	126.54	146.38	−0.4	3.28	148.43	121.98	138.92	127.58	146.97	148.43	131.02	135.52
Europe Ex. UK (678)	142.49	+0.3	116.59	133.65	121.96	122.21	−0.1	2.71	142.04	116.73	132.96	122.10	122.33	142.57	124.81	109.68
Pacific Ex. Japan (205)	146.02	+0.6	119.47	136.95	124.97	129.39	+0.4	4.74	144.81	119.01	135.54	124.46	128.92	146.02	122.53	121.31
World Ex. US (1832)	155.39	+0.3	127.14	145.73	132.98	139.22	+0.2	2.03	154.92	127.32	144.99	133.14	138.91	173.77	131.30	154.12
World Ex. UK (2068)	149.37	+0.0	122.22	140.08	127.84	141.93	+0.0	2.18	149.39	122.77	139.82	128.40	141.97	162.00	130.80	145.66
World Ex. So. Af. (2311)	151.58	+0.1	124.02	142.16	129.72	142.00	+0.0	2.44	151.46	124.48	141.76	130.18	141.98	161.84	131.95	146.25
World Ex. Japan (1917)	151.59	+0.0	124.03	142.17	129.74	140.63	−0.2	3.44	151.57	124.56	141.88	130.28	140.88	151.59	134.62	131.75
The World Index (2371)	151.74	+0.1	124.16	142.30	129.86	142.10	+0.0	2.45	151.64	124.62	141.91	130.32	142.08	162.05	132.25	146.28

Constituent change 17/7/90: Addition: Surveillance (Soc.Gen.)(Reg.)(Switzerland).